Direct, SPV or Forward: How to Take Pre-IPO Secondary Exposure

A comparison of the three principal structures, direct secondaries, special-purpose vehicles and forward purchase agreements, through which an investor can acquire exposure to private company shares before a listing, and a framework for choosing between them

Chennakeshav (CK) Adya

Independent Researcher

June 2026

ABSTRACT

Abstract. An investor seeking exposure to a private company before its listing rarely faces a single route to that exposure; it faces a choice of structures, each acquiring the same underlying economics through a different legal and commercial wrapper, and each bearing a different cost, a different risk and a different quality of claim to the shares. This paper compares the three principal structures through which pre-IPO secondary exposure is taken, the direct secondary purchase of shares from an existing holder, the special-purpose vehicle or feeder fund that pools investors into a single holding, and the forward purchase agreement that contracts for shares to be delivered at or after a listing, and sets out a framework for choosing between them. Drawing on the literature on private secondaries, on intermediated and pooled investment, and on the law of share transfer restrictions, it advances five propositions concerning the three structures. Using a stylised, clearly labelled comparison, it sets out the mechanics of each structure, the all-in cost of each, the risk and quality of the claim each conveys, the way each affects the net outcome to the investor, and the conditions under which each is the appropriate choice. The analysis finds that the direct secondary conveys the cleanest claim but is the hardest to access and demands the largest ticket; that the vehicle pools and diversifies access at the cost of layered fees and reliance on a manager; that the forward conveys only a contingent claim and carries the greatest structural and counterparty risk, so that it is appropriate only where it is priced for that risk; and that the right structure is the one whose access, cost and risk match the investor's ticket, diversification and tolerance for delivery risk. The paper offers a structure comparison matrix, a cost table, a risk map, a selection map and a diligence checklist, and discusses its limitations and avenues for further research. It is calibrated to conditions in the Gulf Cooperation Council in 2026, where family offices and institutions are taking pre-IPO exposure to a concentrated set of late-stage technology and artificial-intelligence companies ahead of an anticipated listing wave. No data presented are real; all figures are illustrative and modelled.

JEL Classification: G11, G24, G32, G23, K22

Keywords: pre-IPO secondaries, secondary market, special-purpose vehicle, feeder fund, forward purchase agreement, private company shares, transfer restrictions, family offices, GCC, alternatives

I. INTRODUCTION

An investor who wishes to own a share of a private company before it lists must answer two separate questions. The first is which company to back, a question of judgement about value, growth and the prospect of a listing, and one that the financial press and the investor's own analysis address at length. The second question, far less discussed but no less consequential, is how to take the exposure: through which legal and commercial structure the investor will acquire its interest in the company's shares. The same economic exposure to the same company can be obtained in several ways, and the way chosen determines what the investor actually owns, what it pays to own it, what risks sit between it and the shares, and how much of any eventual gain it keeps. This second question is the subject of this paper.

There are three principal structures through which pre-IPO secondary exposure is taken. The first is the direct secondary: the investor buys shares, or a direct interest in shares, from an existing holder, a founder, an employee or an early investor, and is recorded, subject to the company's consent and its transfer restrictions, as a holder on the capital table. The second is the pooled vehicle: a special-purpose vehicle or feeder fund acquires the shares and the investor buys an interest in the vehicle, so that the vehicle, not the investor, is the registered holder and the investor's claim runs through it. The third is the forward purchase agreement: the investor contracts with a counterparty to receive shares, or the value of shares, at or after a listing, paying today for a delivery that is contingent on events that have not yet occurred. Each of these structures is in wide use, each suits a different investor and a different situation, and each carries a characteristic set of costs and risks.

This paper compares the three structures and sets out a framework for choosing between them. It is written for the family office, the institution and the private investor weighing how to take a pre-IPO position, and for the adviser structuring that position on their behalf. Its purpose is to make the choice of structure explicit and disciplined: to show what each structure conveys, what each costs, what risks each carries, and the conditions under which each is the right choice. The central message is that the choice of structure is not a formality but a decision that materially changes the investor's risk and net return, and that the appropriate structure is the one whose access, cost and risk profile match the investor's ticket size, its appetite for diversification, and above all its tolerance for the delivery and counterparty risk that distinguishes a contingent claim from an owned one.

The paper is calibrated to conditions in the Gulf Cooperation Council in 2026. The region's family offices and institutions are among the most active buyers of pre-IPO exposure to the late-stage technology and artificial-intelligence companies that dominate the private secondary market, several of which are expected to list during 2026. Gulf investors approach this market with large pools of capital, a strong appetite for the names concerned, and, in many cases, limited prior experience of the structures through which the exposure is intermediated. The choice of structure is therefore a live and material question for these investors, and although the principles set out here are general, the paper draws its examples and its calibration from the Gulf context.

The paper makes three contributions. First, it sets out and compares the mechanics, the cost and the risk of the three structures in a single framework. Second, it shows how the structure chosen affects the net outcome to the investor and the quality of the claim it holds. Third, it offers a selection map and a diligence checklist that translate the comparison into a decision an investor can actually take. Throughout, the figures are stylised and clearly labelled; they illustrate the structural mechanics rather than forecasting any return or quoting any real transaction.

The remainder of the paper proceeds as follows. Section II reviews the relevant literature and sets out the five propositions. Section III describes the mechanics of each structure. Section IV compares their all-in cost. Section V maps their risk and the quality of the claim each conveys. Section VI shows the effect on the net outcome to the investor. Section VII sets out the selection framework and applies it to the Gulf context. Section VIII discusses limitations and further research, and Section IX concludes. Appendices provide the base-case assumptions, a diligence checklist and a glossary.

II. BACKGROUND, LITERATURE AND PROPOSITIONS

A. The private secondary market

A secondary transaction in a private company is the purchase of existing shares from a holder, as distinct from a primary transaction in which the company issues new shares and receives the proceeds. The secondary market in private company shares has grown into a substantial asset class as companies have stayed private for longer and the holders of their shares, founders, employees and early investors, have sought liquidity before a listing. By the middle of the present decade the global market for secondary transactions in private company shares ran to well over one hundred billion dollars a year, with a large share concentrated in a small number of elite late-stage companies. The literature on private equity and venture secondaries describes this growth and the discounts and frictions that characterise the market, in which buyers and sellers transact away from a public price and information is uneven.

Pre-IPO secondaries are the subset of this market concerned with companies thought to be approaching a listing. They attract a particular kind of buyer, one seeking to capture the late-stage appreciation of a company before its shares become publicly tradable, and they carry a particular risk, that the listing on which the thesis depends may be delayed, repriced or abandoned. The structures examined in this paper are the means by which that exposure is intermediated between the existing holder of the shares and the new buyer.

The market has two further features that bear on the choice of structure. The first is its concentration: a disproportionate share of pre-IPO secondary volume attaches to a small number of elite late-stage companies, so that demand for a handful of names is intense and the structures offering access to them command a premium. The second is its information asymmetry: the buyer of a private secondary transacts without the disclosure that accompanies a public security, relying on whatever information the seller, the company or an intermediary provides, and the structure through which the exposure is taken determines how much of that information the buyer can see and verify. A direct buyer dealing with the company can often see more than a buyer at the end of a forward chain. These two features, concentration and asymmetry, recur throughout the comparison that follows and explain much of the difference in cost and risk between the structures.

B. Transfer restrictions and the law of share transfer

Private company shares are not freely transferable. They are typically subject to restrictions in the company's constitution and in shareholder agreements: rights of first refusal in favour of the company or existing holders, requirements for board or company consent, co-sale and tag-along rights, and outright prohibitions on transfer. These restrictions exist to let the company control its register, and they shape every secondary transaction. A transfer that breaches them may be void and unenforceable against the company, a risk that bears directly on the structures examined here and most acutely on the forward, which contracts for a delivery the company may never recognise. The law of share transfer restrictions is therefore not a technicality but a central determinant of which structures convey a sound claim and which do not.

C. Intermediated and pooled investment

The pooled vehicle draws on a long literature on intermediated investment, in which investors entrust capital to a manager who invests it on their behalf in exchange for a fee and, often, a share of the profit. That literature sets out both the benefit of pooling, access, diversification and the manager's skill, and its cost, the layering of fees and the agency problem between the manager and the investor. The special-purpose vehicle and the feeder fund apply this logic to a single private holding or a small set of them, and the trade-offs the literature identifies, access and diversification against fees and reliance on the manager, apply directly.

D. Forward contracts and contingent claims

The forward purchase agreement is a contingent claim: a contract for the future delivery of shares or their value, conditioned on a listing that may not occur as assumed. The finance literature on forward and contingent contracts establishes that such a claim is worth less than the certain delivery of the same asset, by the value of the contingency and the credit of the counterparty obliged to deliver. Applied to pre-IPO shares, this means that a forward should trade at a discount to the direct ownership of the same shares, and that an investor who pays the price of ownership for a contingent claim has overpaid for the risk it bears.

E. Propositions

From this background the paper advances five propositions, which the framework in the sections that follow sets out and illustrates.

- Proposition 1. The direct secondary conveys the cleanest claim to the shares but is the hardest to access and demands the largest ticket, because it requires the company's consent and the navigation of its transfer restrictions, and because sellers of direct stakes transact in size.
- Proposition 2. The pooled vehicle widens access and diversifies it at the cost of layered fees and reliance on a manager, so that the investor trades a portion of its return and a measure of control for entry it could not otherwise obtain.
- Proposition 3. The forward purchase agreement conveys only a contingent claim and carries the greatest structural, counterparty and delivery risk, and is therefore appropriate only where its price compensates for that risk.
- Proposition 4. The structure chosen materially changes the net outcome to the investor, because the frictions, fees and carry that each structure layers on the same gross uplift differ widely between them.
- Proposition 5. The appropriate structure is the one whose access, cost and risk match the investor's ticket size, its appetite for diversification, and its tolerance for delivery and counterparty risk; there is no structure that is best in all cases.

III. THE MECHANICS OF THE THREE STRUCTURES

This section describes how each of the three structures works, what the investor acquires under each, and where each places the investor in relation to the shares. Figure 1 sets out the three schematically. The distinctions drawn here, what is owned, who is the registered holder, and whether the claim is owned or contingent, underlie the cost and risk comparisons that follow.

Figure 1. The three principal pre-IPO secondary exposure structures (illustrative schematic)

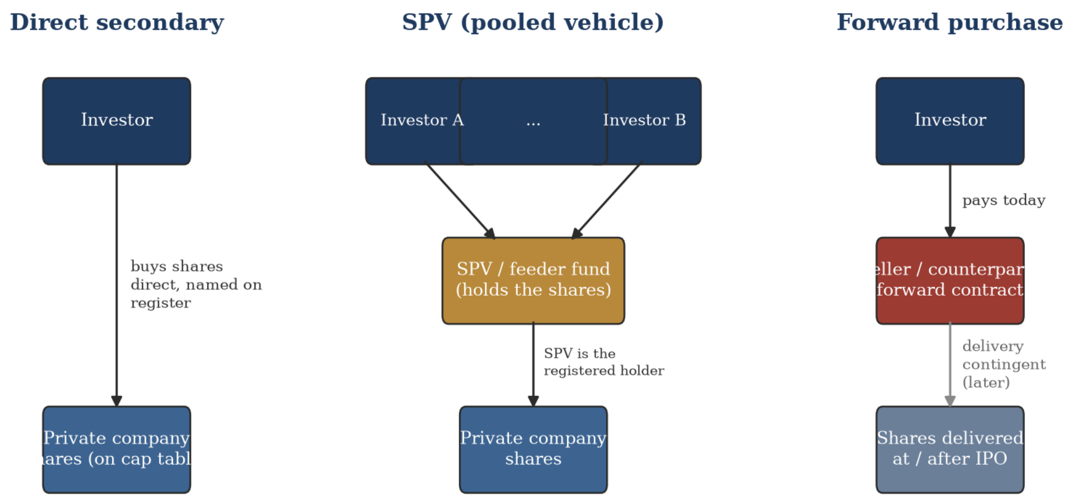

Figure 1. The three principal pre-IPO secondary exposure structures (illustrative schematic).

Before describing each structure in turn, it is useful to set them side by side on the dimensions that distinguish them. Table I summarises what the investor owns under each, who is the registered holder, whether the claim is owned or contingent, the typical minimum ticket, the degree of diversification, and the principal risk. The rows of the table are developed in the sections that follow; the table serves as a map of the comparison and as a reference to which the later analysis can be related.

Dimension	Direct secondary	SPV / feeder fund	Forward purchase
What the investor owns	The shares, or a direct interest in them	An interest in a vehicle that holds the shares	A contractual right to future delivery
Registered holder	The investor	The vehicle	Neither (until delivery)
Nature of the claim	Owned, direct	Owned, through the vehicle	Contingent, contractual
Typical minimum ticket	Large	Smaller (pooled)	Variable, often small
Diversification	None (single name)	Single name (SPV) or many (feeder)	None (single name)
Company consent at entry	Required	Required (by the vehicle)	Not required at entry
Principal risk	Access; concentration	Fees; reliance on manager	Contingency;

			counterparty; transfer
All-in cost	Lowest	Highest	High (embedded in price)

Table I. Structure comparison matrix (illustrative). Rows are developed in Sections III to VI.

A. The direct secondary

In a direct secondary, the investor buys shares, or a direct and recorded interest in shares, from an existing holder of the company. The transaction is between the buyer and the selling shareholder, but it cannot be completed without the company: the company's transfer restrictions must be satisfied, any right of first refusal must be waived or exhausted, and the company's consent, where required, must be obtained. Once completed, the investor is recorded on the company's register, or holds a direct beneficial interest recognised by the company, and stands in the same position as any other holder of that class of share. The investor's claim is to the shares themselves, unmediated by any vehicle or counterparty.

The direct secondary is the structure that conveys the cleanest claim, because the investor owns the shares directly and bears no structural layer between itself and the company. It is also the hardest to access. Direct stakes of a size worth transacting are scarce, the company's consent is not assured, and the process of clearing transfer restrictions is slow and uncertain. Sellers of direct stakes in the most sought-after companies transact in large size, so the direct route is in practice open mainly to investors who can write a large cheque and absorb a concentrated, single-name position. This is the substance of Proposition 1.

Within the direct route there are gradations. The cleanest form is a transfer recorded on the company's register with the company's express consent, leaving the investor a holder indistinguishable from any other. A less clean form is a direct beneficial interest recognised by the company but held through a nominee or custodial arrangement, which preserves the directness of the claim while easing the administrative burden of the transfer. The investor should establish which form it is acquiring, because the protections that attach to a recognised holder, information rights, pre-emption and the standing to enforce, may not attach to a less formal interest. The direct route is also the one in which the timing is least certain: clearing a right of first refusal alone can take weeks, during which the price may move and the opportunity may close, and an investor pursuing the direct route should plan for that delay rather than assume an immediate completion.

B. The special-purpose vehicle and the feeder fund

In a pooled structure, a special-purpose vehicle, or a feeder fund where several holdings are involved, acquires the shares and the investor buys an interest in the vehicle rather than in the shares directly. The vehicle, not the investor, is the registered holder; the investor's claim runs through the vehicle, governed by the vehicle's constitution and by the terms on which the manager operates it. A single-company SPV holds one company's shares and offers concentrated exposure to it; a multi-deal feeder fund holds several and offers a diversified pre-IPO portfolio. In both cases the manager assembles the holding, admits the investors, and administers the vehicle through to a liquidity event.

The pooled vehicle widens access in two ways. It aggregates smaller tickets into a holding large enough to transact, so that an investor who could not write the cheque for a direct stake can participate; and it gives access to a manager's deal flow and relationships, which may reach holdings the investor could not source alone. Where the vehicle holds several companies, it also diversifies the single-name risk that the direct route concentrates. These benefits come at a cost. The vehicle layers fees on the investor's return: an upfront set-up and placement charge, an annual management fee over the life of the hold, and, in many cases, a share of the profit, or carry. The investor also relies on the manager, for the quality of the holding acquired, for the administration of the vehicle, and for the eventual realisation, and bears the agency risk that the manager's interests may not align perfectly with its own. This is the substance of Proposition 2, and Section IV quantifies the cost.

The single-company SPV and the multi-deal feeder, though both pooled, differ in important ways. The single-company SPV concentrates the investor's exposure on one name, offering a cleaner line of sight to a single thesis and, usually, a shorter and simpler life, since the vehicle is wound up when the one holding is realised. The multi-deal feeder spreads the exposure across several names, offering diversification but also a longer life, more administration, and a blending of outcomes that may dilute a strong single result. The investor choosing between the two pooled forms is, in effect, choosing how much single-name risk to take: the SPV preserves it, the feeder spreads it. The fee load is similar in kind for both, but the feeder's longer hold means the annual management fee compounds over more years, which is why, in the cost comparison that follows, the feeder carries the highest life-of-deal cost of any structure.

The terms of a pooled vehicle repay close attention, because they vary widely and determine how much of the headline benefit the investor actually receives. The level and basis of the management fee, whether it is charged on committed or invested capital and whether it steps down over time, the rate and hurdle of the carry, the treatment of expenses, the governance and information rights afforded to investors, and the terms governing the timing and manner of realisation all bear on the net outcome and the investor's protection. A well-structured vehicle on fair terms is a sound way to take pooled exposure; a poorly structured one on aggressive terms can erode the thesis it was formed to capture. The diligence on the vehicle is therefore as important as the diligence on the underlying company, a point the checklist in Appendix B reflects.

C. The forward purchase agreement

In a forward purchase agreement, the investor does not acquire shares or an interest in a vehicle that holds them. It enters a contract under which a counterparty agrees to deliver shares, or the cash value of shares, at or after a future event, typically the company's listing, in exchange for a payment made today. The investor's claim is contingent: it depends on the listing occurring, on the counterparty performing, and on the company recognising the eventual transfer. Until those conditions are met, the investor owns neither the shares nor an interest in a vehicle that holds them, but only a contractual promise.

The forward is the most accessible of the three structures in one sense, in that it requires neither the company's consent at the outset nor a large direct stake, and it is therefore often the route offered to investors who cannot reach the shares any other way. But it is the riskiest. The contingency on the listing means the investor bears the risk that the listing is delayed, repriced or abandoned. The reliance on the counterparty means the investor bears the risk that the counterparty fails to deliver, whether through insolvency or through its own inability to obtain the shares. And the transfer restrictions of the company mean that the eventual delivery may be void and unrecognised: a forward that contracts to deliver shares the company will not permit to be transferred conveys a claim the company may never honour. Companies have publicly disavowed unauthorised forward arrangements in their shares, declaring them void and unrecognised, which crystallises precisely this risk. The forward is therefore appropriate only where its price compensates the investor for the contingency, the counterparty risk and the transfer risk it carries, which is the substance of Proposition 3.

It is worth being precise about the three distinct risks a forward bundles together, because they are often conflated. The first is event risk: the listing on which delivery depends may be delayed beyond the investor's horizon, priced below the level the forward assumed, or abandoned, in which case the contingency is not met and the expected delivery does not occur. The second is counterparty risk: even where the listing occurs, the counterparty obliged to deliver may fail, whether because it is insolvent, because it never held or could not obtain the shares it promised, or because it declines to perform and must be pursued. The third is transfer risk: even where the listing occurs and the counterparty is willing, the company's transfer restrictions may render the delivery void, so that the investor receives nothing the company will recognise. A forward that is cheap on its face may be carrying all three risks at once, and an investor who has not separated and priced each of them does not know what it is paying for.

The forward also tends to sit at the end of the longest information chain, which compounds its risk. The investor buying a forward often deals not with the company or even with a direct holder of its shares, but with an intermediary contracting to source the shares from someone else, who may in turn rely on a further party. Each link in this chain adds a counterparty, dilutes the information available, and increases the chance that the eventual delivery fails or is unrecognised. The cleanest forwards are those backed by an identified holder of the actual shares with a clear path to delivery; the most dangerous are those that promise shares no identifiable party yet holds. Distinguishing the two is the heart of diligence on a forward.

IV. THE ALL-IN COST OF EACH STRUCTURE

The structures differ not only in what they convey and the risk they carry but in what they cost. The cost of taking pre-IPO exposure is not a single figure but a stack of charges and frictions, and the stack differs markedly between the structures. This section sets out the components of cost and compares them. Figure 2 illustrates the comparison; Table II records the components. All figures are stylised and indicative, chosen to illustrate the relative magnitude and composition of cost across the structures, not to quote any transaction.

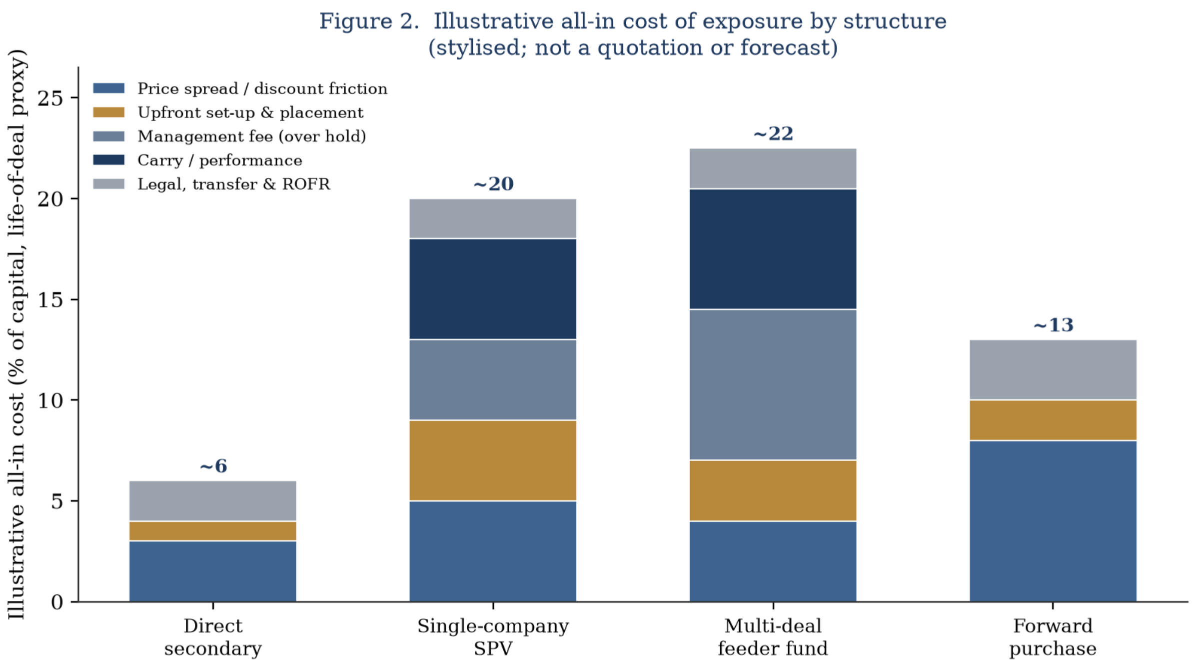

Figure 2. Illustrative all-in cost of exposure by structure (stylised; not a quotation or forecast).

Five components make up the all-in cost. The first is the price spread or discount friction: the gap between the price the investor pays and the fair value of the underlying shares, which widens as the chain between the investor and the company lengthens and as the seller's bargaining position strengthens. The second is the upfront set-up and placement charge: the legal, structuring and placement cost incurred to establish the position, borne most heavily by the pooled vehicle, which must be formed and marketed. The third is the annual management fee, charged by the manager of a pooled vehicle over the life of the hold and absent from the direct route and the forward. The fourth is the carry, or share of the profit, which the manager of a pooled vehicle takes on realisation. The fifth is the legal, transfer and rights-of-first-refusal cost: the expense of clearing the company's transfer restrictions, borne most heavily by the direct route and the forward.

Cost component	Direct secondary	SPV / feeder fund	Forward purchase
Price spread / discount friction	Low to moderate	Moderate	High (premium for access)
Upfront set-up & placement	Low	High	Low to moderate
Annual management fee	None	Typically c. 1.5-2% p.a.	None
Carry / performance share	None	Typically c. 15-20%	None
Legal, transfer & ROFR	High	Moderate (borne by vehicle)	Moderate to high
All-in cost (life-of-deal proxy)	Lowest	Highest	High
Who bears the cost	Investor directly	Pooled across LPs	Embedded in forward

			price

Table II. Illustrative composition of the all-in cost of each structure. Figures are stylised and indicative, not quotations.

Three points emerge from the comparison. First, the direct secondary, though it bears the heaviest legal and transfer cost, carries no management fee and no carry, and so has the lowest all-in cost over the life of the deal for an investor able to bear its frictions. Second, the pooled vehicle has the highest all-in cost, because it layers an upfront charge, an annual fee and a carry on top of the underlying friction; the investor pays for the access and diversification the vehicle provides. Third, the forward embeds its cost in the price: the premium the investor pays over fair value for a contingent claim is the price of access through a structure that asks neither for the company's consent nor for a large direct stake, and it can be the highest single friction of all where demand for the name is intense. The fee structures of pooled vehicles in this market, an annual management fee of the order of one and a half to two per cent and a performance share of the order of fifteen to twenty per cent, together with upfront charges, are the principal reason the pooled route is the costliest over a multi-year hold. This is the substance of Proposition 4, developed further in Section VI.

Two refinements sharpen the comparison. First, cost should be judged over the whole life of the position, not at entry. A structure with a low entry cost but a recurring annual fee can prove dearer than one with a high entry cost and no ongoing charge, once the position is held for several years, and the pre-IPO horizon, however much an early listing is hoped for, can extend well beyond the investor's expectation. The life-of-deal proxy used in the figures is intended to capture this, summing the one-off and recurring charges over a representative hold rather than reporting only the cost at entry. Second, the components of cost are not independent of the structure's benefits: the fee a feeder charges buys the diversification and sourcing it provides, and the premium embedded in a forward buys access that may be available no other way. A bare comparison of cost, without reference to what each cost buys, would mislead; the cost comparison must be read alongside the access and risk comparisons that surround it.

V. THE RISK AND THE QUALITY OF THE CLAIM

Cost is only one axis on which the structures differ. The other, and the more important, is the risk each carries and the quality of the claim each conveys. A cheap structure that conveys a contingent and unenforceable claim is dearer, properly understood, than an expensive one that conveys clean ownership. This section maps the structures on the two dimensions that matter: the directness and quality of the claim, and the structural, counterparty and delivery risk. Figure 3 sets out the map.

Figure 3. Risk map of pre-IPO secondary structures (illustrative positioning)

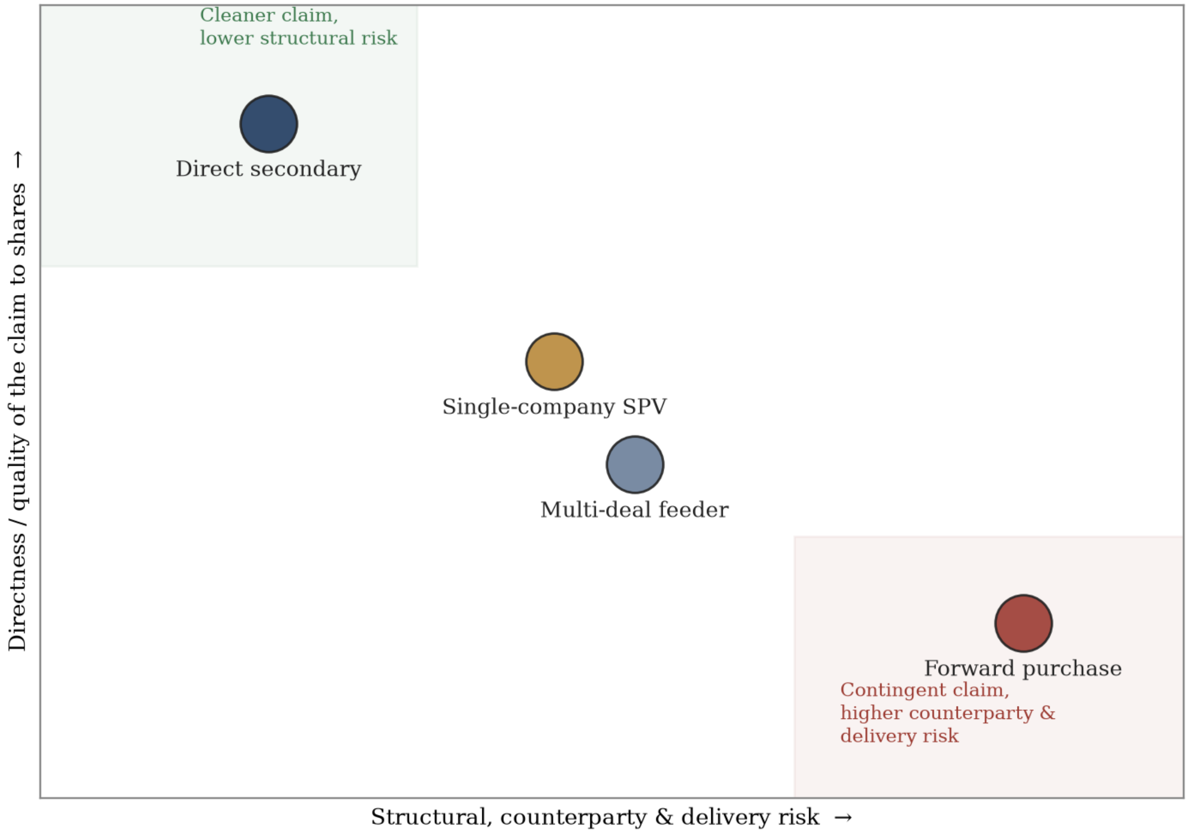

Figure 3. Risk map of pre-IPO secondary structures (illustrative positioning).

A. The direct secondary: cleanest claim, lowest structural risk

The direct secondary sits in the favourable corner of the map: it conveys the cleanest, most direct claim, and it carries the lowest structural and counterparty risk, because the investor owns the shares itself, recognised by the company, with no vehicle or counterparty between it and them. Its risks are those of the underlying position, the company, the listing, the price, rather than risks of the structure. The price of this clean claim is the difficulty of access and the concentration of a single-name position, discussed in Section III, not a defect in the claim itself.

B. The pooled vehicle: a sound claim through a manager

The pooled vehicle sits in the middle of the map. The investor's claim is sound, an interest in a vehicle that holds the shares as registered owner, but it runs through the vehicle and the manager, and so carries a structural layer the direct route avoids. The investor bears the risk that the vehicle is administered poorly, that the manager's interests diverge from its own, and that the terms of the vehicle, on fees, on governance, on the timing of realisation, are unfavourable. These risks are manageable through diligence on the manager and the vehicle's terms, and a multi-deal feeder fund reduces the single-name risk that the direct and single-SPV routes concentrate. The vehicle is, on this map, a reasonable middle position: a sound claim, a moderate structural risk, in exchange for the access and diversification it provides.

C. The forward: a contingent claim, the highest risk

The forward sits in the unfavourable corner. Its claim is the weakest of the three, a contractual promise contingent on a listing that may not occur as assumed, and its structural, counterparty and delivery risk is the highest. The investor bears the listing risk, the counterparty's credit risk, and the risk that the eventual transfer is void under the company's transfer restrictions and never recognised. Where a company has publicly declared forward arrangements in its shares void, the investor's claim may be worth nothing against the company even if the counterparty is willing and able to perform. The forward can still be the right structure, but only where these risks are understood and the price compensates for them; an investor who pays the price of clean ownership for a forward has mispriced the risk it is taking. This is the substance of Proposition 3, and it is the single most important caution in this paper.

VI. THE EFFECT ON THE NET OUTCOME TO THE INVESTOR

The cost and risk of a structure are not abstractions; they translate into the share of any gain the investor actually keeps. Two investors who back the same company at the same time, and enjoy the same gross uplift in its value, can end with materially different net outcomes according to the structure through which they took the exposure. This section illustrates the point. Figure 4 takes a single gross uplift, set to an index of one hundred, and shows the share each structure leaves with the investor after frictions, fees and carry. The figures are stylised and chosen to illustrate the mechanism, not to forecast a return.

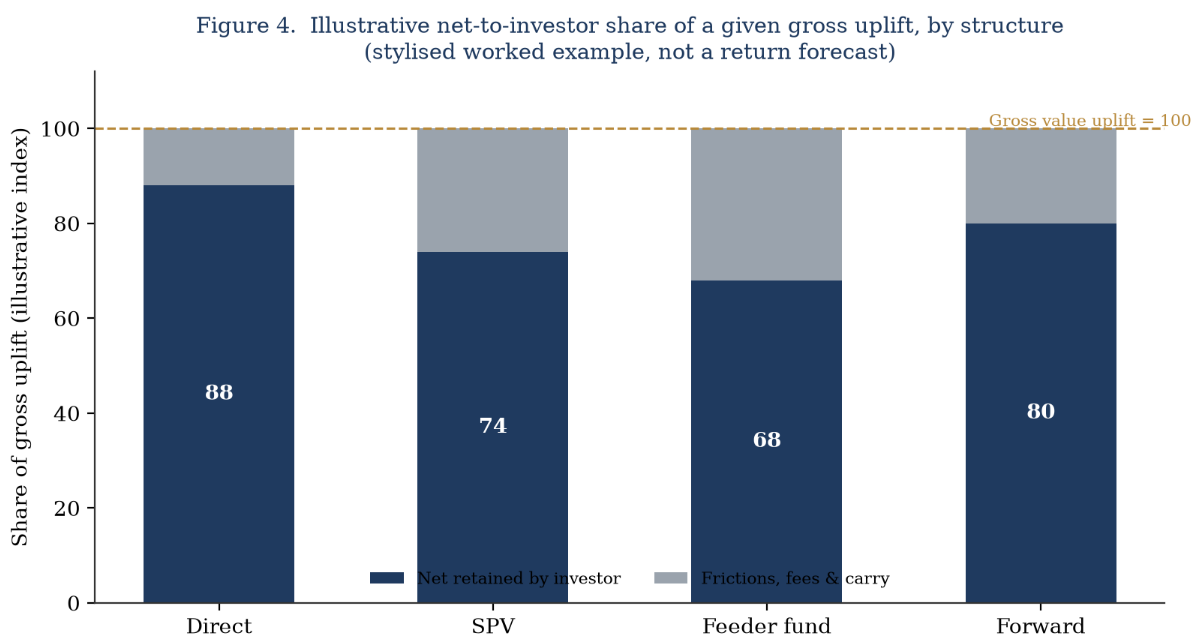

Figure 4. Illustrative net-to-investor share of a given gross uplift, by structure (stylised worked example).

The illustration shows the direct secondary retaining the largest share of the gross uplift, because it layers no management fee and no carry on the position, only the one-off frictions of acquiring it. The forward retains a smaller share, because the premium embedded in its price is given up at the outset, though it bears no ongoing fee. The pooled vehicles retain the smallest share, because the management fee compounds over the life of the hold and the carry takes a slice of the gain on realisation; the multi-deal feeder, with the most administration and the longest typical hold, retains least of all. The ranking by net outcome is the mirror of the ranking by cost in Section IV, and it makes Proposition 4 concrete: the structure chosen, holding the underlying position constant, materially changes what the investor keeps.

Two qualifications temper this ranking. First, the net outcome is not the only consideration: an investor who cannot access the direct route at all keeps none of a gain it could not capture, so a pooled vehicle that retains less of more is better than a direct route that retains more of nothing. Second, the diversification a multi-deal feeder provides has a value not captured in a single-name illustration: spreading the exposure across several companies reduces the risk that one disappointing outcome erases the gain, and an investor may reasonably accept a lower net share of each position in exchange for that protection. The net-outcome comparison is therefore a necessary input to the choice of structure, not the whole of it.

The sensitivity of the net outcome to the length of the hold deserves emphasis. The frictions of the direct route and the forward are largely fixed at entry, so their net-retained share changes little whether the position is held for one year or five. The pooled vehicle's annual fee, by contrast, accrues each year, so the longer the hold, the smaller the share the investor retains. An early listing therefore favours the pooled route relatively, by limiting the years over which its fee compounds, while a delayed listing, the more likely outcome for the broad run of pre-IPO positions, widens the gap in favour of the direct route. Since the timing of a listing is precisely what the investor cannot control, the prudent course is to judge the structures on a realistic, rather than an optimistic, assumption about the hold, which again favours the lower-recurring-cost structures for an investor able to access them.

VII. CHOOSING A STRUCTURE: A SELECTION FRAMEWORK

The preceding sections establish that no structure is best in all cases: the direct route conveys the cleanest claim and the lowest cost but is the hardest to access; the pooled vehicle widens and diversifies access at the cost of fees and reliance on a manager; the forward is the most accessible but conveys the weakest claim and carries the highest risk. The right structure is the one whose profile matches the investor's circumstances, which is the substance of Proposition 5. This section sets out a framework for the choice and applies it to the Gulf context. Figure 5 presents the selection logic as a map.

Figure 5. A structure-selection map for pre-IPO secondary exposure (illustrative)

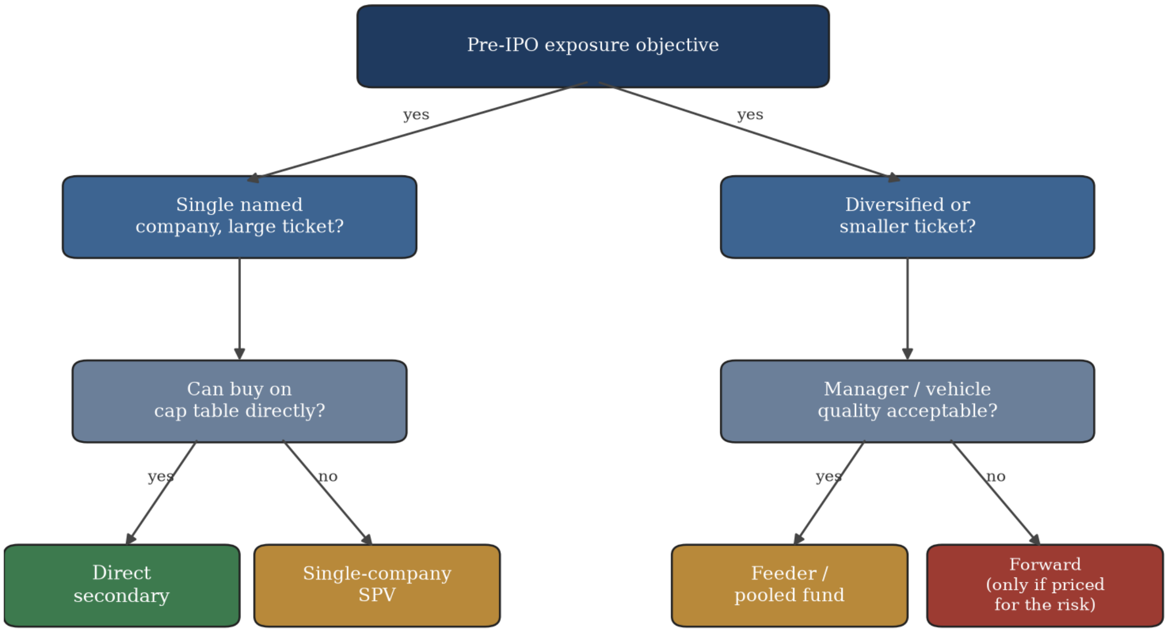

Figure 5. A structure-selection map for pre-IPO secondary exposure (illustrative).

A. The three questions that determine the choice

Three questions, taken in order, determine the appropriate structure. The first is the ticket and the target: does the investor wish to take a large position in a single named company, or a smaller or diversified position? A large single-name ticket points towards the direct route or a single-company SPV; a smaller or diversified one points towards a feeder fund. The second is access: can the investor reach the shares directly, with the company's consent and a willing seller, or must it reach them through a vehicle or a forward? Where the direct route is open, it is generally preferable on cost and claim; where it is closed, the question becomes which intermediated route to take. The third is risk tolerance: can the investor accept the contingency and counterparty risk of a forward, or does it require an owned claim? Only an investor that understands and is paid for the forward's risk should take it; an investor that requires a sound claim should confine itself to the direct route or a well-structured vehicle.

B. When each structure is the right choice

Structure	Best suited to	Avoid when
Direct secondary	Large ticket; single high-conviction name; investor able to clear transfer restrictions and hold a concentrated position	Ticket too small to transact; diversification required; company consent unobtainable
Single-company SPV	Concentrated exposure to one name with a smaller ticket; access to a manager's sourcing; investor comfortable with one layer of fees	Manager or vehicle terms are poor; fees erode the thesis; direct route is available on better terms

Multi-deal feeder fund	Diversified pre-IPO exposure; smaller tickets; investor valuing the spread of single-name risk over fee drag	Investor wants a single named exposure; fee and carry stack is unacceptable; hold period too long
Forward purchase	No other route to a sought-after name; price clearly compensates for contingency and counterparty risk; investor can bear delivery risk	Company has disavowed forwards; price equals clean ownership; investor requires a sound, recognised claim

Table III. The conditions under which each structure is the appropriate choice (illustrative guidance).

C. The Gulf context in 2026

The framework bears on the Gulf in 2026 in a particular way. The region's family offices and institutions are taking pre-IPO exposure to a concentrated set of late-stage technology and artificial-intelligence companies, several of which are expected to list during the year, and they approach this market with large pools of capital and strong demand for the names concerned. Several Gulf sovereign and semi-sovereign investors hold primary positions in these companies, but the family offices and private investors that this paper chiefly addresses more often reach them through the secondary structures examined here.

Three features of the Gulf position shape the choice of structure. First, the scale of capital available means that the direct route and single-company SPV are open to many Gulf investors who, elsewhere, would be confined to pooled vehicles; the large ticket that the direct route demands is, for these investors, less of a constraint. Second, the intensity of demand for the handful of elite names raises the premium embedded in forwards offered into the Gulf market, which sharpens the caution of Proposition 3: an investor paying a demand-driven premium for a contingent claim should be especially sure the price compensates for the risk. Third, the relative newness of the structures to some Gulf investors raises the value of the diligence the next subsection sets out: the discipline of asking what is owned, what it costs and what risks sit between the investor and the shares is most valuable where the structures are least familiar.

For most Gulf family offices, the framework points towards the direct route or a single-company SPV for a high-conviction single-name position where access can be obtained, towards a multi-deal feeder for diversified exposure to the theme, and towards the forward only where no other route reaches a sought-after name and the price plainly compensates for the contingency. The concentration of the market in a small number of names, several of which are expected to list during 2026, also means that the window for pre-IPO exposure to these particular companies is closing, and that the discipline of structure selection should not be sacrificed to the urgency of entering before a listing.

A particular caution attends the concentration of the present market. Because pre-IPO secondary demand in 2026 attaches so heavily to a small number of names, several expected to list within the year, the supply of clean direct stakes and well-structured vehicles in those names is limited relative to the demand, and the residual demand is channelled into forwards and into vehicles assembled at speed and on aggressive terms. The Gulf investor, with capital to deploy and conviction in the names, is precisely the buyer into whom this residual supply is pushed, and is therefore most exposed to the risk that the structure offered is the weakest of the three dressed as access to a name that cannot be reached any other way. The discipline of the framework, of insisting on knowing what is owned and what risks sit between the investor and the shares, is the protection against accepting a poor structure because it is the only one on offer for a coveted name.

D. Three illustrative cases

The framework is best seen at work on stylised cases. Consider, first, a large Gulf family office with high conviction in a single late-stage company expected to list within the year, able to commit a substantial ticket and to hold a concentrated position. For this investor the framework points to the direct route where a willing seller and the company's consent can be found, and to a single-company SPV on fair terms where they cannot; the forward should be reached for only if neither is available and the price plainly compensates for the risk. The investor's scale removes the ticket constraint that pushes smaller investors towards pooled vehicles, so it can capture the cleaner claim and the lower cost that the direct route affords.

Consider, second, a smaller family office or private investor that wishes to participate in the pre-IPO technology theme but cannot write a direct-stake cheque and does not wish to bet on a single name. For this investor the framework points to a multi-deal feeder fund on fair terms: the vehicle aggregates its smaller ticket into a transactable holding, spreads its exposure across several names, and gives access to a manager's sourcing, in exchange for a fee load the investor accepts as the price of access and diversification. The investor should diligence the manager and the vehicle's terms with care, because the fee drag is real and the quality of the vehicle varies widely, but the pooled route is the appropriate one for its circumstances.

Consider, third, an investor offered a forward in a coveted name that it can reach no other way. The framework does not forbid the forward, but it insists the investor separate and price the three risks the forward bundles, scrutinise the counterparty and the chain behind it, and establish whether the eventual delivery would be recognised by the company. If the price compensates for the contingency, the counterparty risk and the transfer risk, and if the chain leads to an identified holder of the actual shares, the forward may be a reasonable way to reach a name otherwise out of reach. If the price equals that of clean ownership, or the chain promises shares no identifiable party holds, or the company has disavowed forwards in its shares, the framework counsels against it, however coveted the name. These three cases between them cover the great majority of the decisions a Gulf investor faces in this market.

E. A note on diligence

Whichever structure is chosen, the diligence that supports the choice is the same in kind: establish what the investor will own, what it will cost over the life of the position, and what risks sit between the investor and the shares. For a direct secondary, this means confirming the seller's title and the company's consent. For a pooled vehicle, it means diligence on the manager, the vehicle's terms and the underlying holding. For a forward, it means scrutiny of the counterparty's standing, the contingency, and above all whether the eventual transfer would be recognised by the company. Appendix B sets out a diligence checklist that distils these questions into a form an investor can apply.

VIII. LIMITATIONS AND FURTHER RESEARCH

This paper is a structural comparison and a framework, not an empirical study, and its limitations follow from that. The figures are stylised and illustrative, chosen to convey the relative cost, risk and net outcome of the structures rather than to measure them; the actual cost and friction of any transaction depend on the name, the seller, the manager and the market at the time, and may differ materially from the indicative figures used here. The cost and fee levels cited are representative of the market in the present period and will change. The framework treats the three structures as distinct, whereas in practice they shade into one another, and hybrid arrangements combine their features.

The legal treatment of transfer restrictions and of forwards varies by jurisdiction and by company, and the paper states the general principle rather than the law of any particular place; an investor must take advice on the specific company and jurisdiction. The paper does not address the tax treatment of the structures, which differs between them and between investors and can be material to the net outcome. Nor does it address the question of valuation, of how to judge the fair price of a private company's shares, which is prior to the choice of structure and the subject of a separate literature.

Several avenues for further research follow. An empirical study of the realised cost and net outcome of the three structures across a sample of transactions would test the stylised rankings advanced here. A study of the legal enforceability of forwards across jurisdictions and companies would sharpen the central caution of Section V. And a study of the Gulf market specifically, of how its investors take pre-IPO exposure and with what results, would calibrate the framework to the region the paper addresses. The framework offered here is intended as a starting point for such work and as a practical aid in the meantime.

IX. CONCLUSION

An investor seeking exposure to a private company before its listing must choose not only which company to back but how to back it, and the choice of structure materially changes its risk and its net return. This paper has compared the three principal structures through which pre-IPO secondary exposure is taken and offered a framework for choosing between them. The direct secondary conveys the cleanest claim and the lowest cost but is the hardest to access and demands the largest ticket. The pooled vehicle, whether a single-company SPV or a multi-deal feeder fund, widens and diversifies access at the cost of layered fees and reliance on a manager. The forward purchase agreement is the most accessible but conveys only a contingent claim and carries the greatest structural, counterparty and delivery risk, and is appropriate only where its price compensates for that risk.

The central message is that there is no structure that is best in all cases: the right structure is the one whose access, cost and risk match the investor's ticket, its appetite for diversification and its tolerance for delivery risk. For the Gulf family offices and institutions taking exposure to a concentrated set of late-stage technology and artificial-intelligence companies ahead of an anticipated listing wave in 2026, the framework points towards the direct route or a single-company SPV for a high-conviction single name, a multi-deal feeder for diversified exposure to the theme, and the forward only where no other route reaches the name and the price plainly compensates for the risk. The discipline the paper urges, of asking what is owned, what it costs and what risks sit between the investor and the shares, is the discipline that turns a scramble for access into a considered investment decision, and it is most valuable precisely when the urgency to enter before a listing is at its height.

REFERENCES

[1] Bertoni, F. and Lugo, S. (2014). The Effect of Sovereign Wealth Funds on the Credit Risk of their Portfolio Companies. Journal of Corporate Finance, 27, 21-35.

[2] Black, F. and Scholes, M. (1973). The Pricing of Options and Corporate Liabilities. Journal of Political Economy, 81(3), 637-654.

[3] Cumming, D. and Johan, S. (2013). Venture Capital and Private Equity Contracting: An International Perspective, 2nd ed. Amsterdam: Academic Press.

[4] Gilson, R. J. and Schizer, D. M. (2003). Understanding Venture Capital Structure: A Tax Explanation for Convertible Preferred Stock. Harvard Law Review, 116(3), 874-916.

[5] Gompers, P. and Lerner, J. (2004). The Venture Capital Cycle, 2nd ed. Cambridge, MA: MIT Press.

[6] Hull, J. C. (2018). Options, Futures, and Other Derivatives, 10th ed. Harlow: Pearson.

[7] Jensen, M. C. and Meckling, W. H. (1976). Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure. Journal of Financial Economics, 3(4), 305-360.

[8] Kaplan, S. N. and Stromberg, P. (2003). Financial Contracting Theory Meets the Real World: An Empirical Analysis of Venture Capital Contracts. Review of Economic Studies, 70(2), 281-315.

[9] Lerner, J., Leamon, A. and Hardymon, F. (2012). Venture Capital, Private Equity, and the Financing of Entrepreneurship. Hoboken, NJ: Wiley.

[10] Metrick, A. and Yasuda, A. (2010). The Economics of Private Equity Funds. Review of Financial Studies, 23(6), 2303-2341.

[11] Nadauld, T. D., Sensoy, B. A., Vorkink, K. and Weisbach, M. S. (2019). The Liquidity Cost of Private Equity Investments: Evidence from Secondary Market Transactions. Journal of Financial Economics, 132(3), 158-181.

[12] Phalippou, L. (2017). Private Equity Laid Bare. CreateSpace.

[13] Ramsinghani, M. (2014). The Business of Venture Capital, 2nd ed. Hoboken, NJ: Wiley.

[14] Robinson, D. T. and Sensoy, B. A. (2016). Cyclicality, Performance Measurement, and Cash Flow Liquidity in Private Equity. Journal of Financial Economics, 122(3), 521-543.

[15] Sahlman, W. A. (1990). The Structure and Governance of Venture-Capital Organizations. Journal of Financial Economics, 27(2), 473-521.

[16] Talmor, E. and Vasvari, F. (2011). International Private Equity. Chichester: Wiley.

ABOUT THE AUTHOR

Chennakeshav (CK) Adya is an independent researcher and corporate-finance practitioner with more than twenty-five years of international experience across capital markets, private capital and cross-border structuring. His research addresses the financing of private and alternative assets, with a particular focus on the structures through which investors in the Gulf Cooperation Council take exposure to private markets. This paper is part of a series on access structures for Gulf investors in the alternatives space.

APPENDIX A. BASE-CASE ASSUMPTIONS

The table below records the stylised assumptions used in the illustrative figures. They are indicative and forward-looking, chosen to illustrate the relative mechanics of the structures, not to forecast or to quote any transaction. All figures in the paper are modelled; none are real.

Parameter	Illustrative value	Basis
Direct all-in cost (life-of-deal proxy)	c. 6% of capital	Spread + legal/transfer, no fees
Single-company SPV all-in cost	c. 20% of capital	Spread + upfront + fee + carry
Multi-deal feeder all-in cost	c. 22.5% of capital	As SPV, longer hold, more admin
Forward all-in cost	c. 16% of capital	Access premium embedded in price
SPV / feeder management fee	c. 1.5-2.0% p.a.	Market-representative range
SPV / feeder carry	c. 15-20% of profit	Market-representative range
Gross value uplift (index)	100	Common base for net-outcome comparison
Net retained: direct / SPV / feeder / forward	88 / 74 / 68 / 80	Illustrative, per Figure 4

Table A1. Full base-case assumptions. Indicative and illustrative; see Sections IV and VI.

APPENDIX B. STRUCTURE-SELECTION AND DILIGENCE CHECKLIST

The following checklist distils the framework into the questions an investor should answer when choosing and diligencing a pre-IPO secondary structure.

- Have we defined our objective: a large single-name position, or a smaller or diversified one?
- Is the direct route open to us, with a willing seller and the prospect of the company's consent?
- If direct, have we confirmed the seller's title and cleared the company's transfer restrictions and rights of first refusal?
- If a vehicle, have we diligenced the manager, the vehicle's terms, and the underlying holding?
- Have we counted the full cost: spread, upfront, management fee, carry and legal, over the life of the position?
- Have we compared the net-to-investor outcome across the structures available to us?
- If a forward, have we scrutinised the counterparty's standing and ability to deliver?
- If a forward, would the eventual transfer be recognised by the company, or has the company disavowed forwards in its shares?
- If a forward, does the price compensate us for the contingency, counterparty and transfer risk we are taking?
- Have we valued the diversification a multi-deal feeder offers against its higher fee drag?
- Have we matched the structure to our ticket, our need for diversification, and our tolerance for delivery risk?
- Have we taken legal and tax advice specific to the company and the jurisdiction?
- Have we resisted sacrificing the discipline of structure selection to the urgency of entering before a listing?

APPENDIX C. GLOSSARY OF KEY TERMS

The following glossary defines the principal technical terms used in this paper for readers who may be less familiar with private secondaries.

Pre-IPO secondary. The purchase of existing shares in a private company thought to be approaching a listing, from an existing holder rather than from the company.

Direct secondary. A purchase of shares, or a direct recorded interest in shares, from an existing holder, so that the investor holds the shares itself.

Special-purpose vehicle (SPV). A vehicle formed to hold a single company's shares, in which investors buy an interest, so that the vehicle is the registered holder.

Feeder fund. A pooled vehicle holding several private company shares, offering investors diversified pre-IPO exposure through a single interest.

Forward purchase agreement. A contract under which a counterparty agrees to deliver shares, or their value, at or after a future event, in exchange for payment today.

Transfer restrictions. Limits, in a company's constitution or shareholder agreements, on the transfer of its shares, including consent requirements and rights of first refusal.

Right of first refusal (ROFR). A right allowing the company or existing holders to buy shares before they may be sold to an outside buyer.

Contingent claim. A claim whose value depends on a future event, here the company's listing and the counterparty's performance, rather than on present ownership.

Management fee. An annual charge by the manager of a pooled vehicle, levied over the life of the hold.

Carry. A share of the profit taken by the manager of a pooled vehicle on realisation, also called carried interest or performance fee.

Discount friction / spread. The gap between the price an investor pays and the fair value of the underlying shares.

Net-to-investor outcome. The share of a gross gain the investor retains after all frictions, fees and carry.

Counterparty risk. The risk that the party obliged to deliver under a contract, such as a forward, fails to perform.

Cap table. The record of a company's shareholders and their holdings; to be on the cap table is to be a recognised holder.

Concentration risk. The risk of holding a single-name position, undiversified across companies.

Stabilisation / realisation. The point at which a position is sold or otherwise turned into cash, typically at or after a listing.