The SPV-Layering Trap: Fees, Double-SPVs and What You Really Own

A structural guide to fee compounding, ownership dilution and counterparty risk in stacked special-purpose-vehicle access to pre-IPO secondaries

Chennakeshav (CK) Adya

Independent Researcher

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ABSTRACT

Abstract. Access to late-stage private companies before an initial public offering is now sold to Gulf family offices and private investors largely through special-purpose vehicles. The vehicle is presented as a convenience, a clean wrapper that turns an inaccessible block of private shares into a subscribable interest. This paper argues that the wrapper is rarely as simple as it appears, and that the most common structure offered into the region in 2026 is not a single vehicle but a chain of them, a feeder vehicle subscribing into a master vehicle which in turn holds, or merely contracts for, the underlying shares. Each link in that chain carries its own management fee, its own carried interest, its own administration and legal cost, and its own counterparty. The paper sets out, in structural terms, three things a prospective investor should understand before subscribing. The first is how fees compound when they are charged at more than one level, and why a headline that looks like a one-and-ten arrangement can quietly consume a third of the gross gain. The second is what the investor actually owns at the bottom of the chain, which is frequently a claim on a claim rather than a share, and how the rights that matter, information, transfer and the proceeds of an exit, weaken at every step down the ladder. The third is the set of risks that are specific to layered structures, including the conflation of a forward contract with a holding, the opacity of the cap table, and the consequences of an intermediate vehicle failing. The analysis is illustrative rather than empirical; the figures are stylised to make the mechanics legible and are not forecasts or sourced market data. The paper closes with a diligence framework and a short checklist that an investor or an adviser can apply to any SPV offer to establish, before money moves, how many layers stand between the subscription and the asset, what each layer costs, and what the investor would own if the company never reaches the public market. The argument is structural and is not investment advice.

JEL Classification: G24, G23, G11, G32, K22, G18

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1. INTRODUCTION

A Gulf family office that wishes to own a stake in a large, well-known private technology company before it lists faces a structural problem. The shares it wants are not for sale in any open market. They sit on a private cap table, are subject to transfer restrictions and rights of first refusal, and are held by founders, employees and a handful of venture and growth funds. The only practical way for an outside investor of modest size to gain exposure is to subscribe into a vehicle that someone else has assembled. That vehicle is almost always a special-purpose vehicle, an SPV, formed for the single purpose of holding an interest in one company and selling participations in that holding to a group of investors.

The SPV is, in principle, an elegant solution. It pools small cheques into a block large enough to clear a minimum allocation, it concentrates the legal and administrative burden in one place, and it gives the investor a single, subscribable interest in place of an unreachable private share. The difficulty is that the structure offered into the Gulf in 2026 is frequently not one vehicle but two, and sometimes more. A feeder vehicle, marketed to regional investors, subscribes into a master vehicle assembled by a lead sponsor, which itself may hold the shares directly, hold them through a nominee, or hold nothing more than a contractual right to receive them at a later date. The investor at the top of this chain is several steps removed from the company whose name appears on the offer.

This distance is not merely a matter of legal tidiness. Every layer in the chain is a place where a fee can be charged, where carried interest can be taken, where an administrator and a law firm must be paid, and where a counterparty can fail. The investor who reads only the headline terms of the feeder, a management fee and a share of the upside that may look unremarkable, can easily miss the second set of charges levied one level down, and the third set of costs that accrue regardless of performance. The economics that reach the investor at the bottom of the chain can differ substantially from the economics the offer appears to describe.

There is a second problem that matters as much as the first. What the investor owns is determined not by the name on the offer but by the documents that bind each layer of the structure together. A subscription into a feeder is a claim against the feeder, not against the company. The feeder's claim is against the master, and the master's claim is against the asset, if indeed the master holds the asset at all. At each step the rights that an investor would expect of a shareholder, the right to information, the right to transfer the interest, and the right to receive the proceeds of an exit in a timely and predictable way, are mediated, narrowed or deferred. The investor frequently ends with a claim on a claim, and discovers the difference only when it wishes to sell, when it wants information, or when the company is acquired rather than floated.

This paper sets out to make the layered SPV structure legible. It is written for the regional allocator, the family office principal and the adviser who is presented with an SPV offer and must decide, often quickly and on the strength of a short deck, whether the structure is sound and the terms are fair. The aim is not to condemn SPVs, which are a legitimate and often the only feasible route to a desirable asset, but to equip the reader to see through the wrapper to the mechanics beneath it, to count the layers, to price each one, and to establish what would actually be owned.

Three caveats frame the analysis. First, this is a structural and educational paper, not investment advice, and nothing in it is an offer or a recommendation in respect of any vehicle or security. Second, the figures and tables are illustrative. They are stylised calibrations designed to make the mechanics visible, not forecasts, not sourced market data and not representations about any actual transaction. Third, the legal characterisations are general. The precise rights and obligations in any structure depend on its constitutional documents and on the law of the jurisdictions in which the vehicles are formed, and competent legal and tax advice on the specific instrument is indispensable.

The paper makes four contributions. First, it provides a single diagram that distinguishes a clean, single-vehicle holding from the stacked structures that are common in practice, so that a reader can locate any offer on a simple map. Second, it demonstrates, through a stylised fee waterfall, how charges levied at more than one level compound rather than add, and how a structure that is described in benign terms can consume a material share of the gross gain. Third, it sets out an ownership ladder that ranks what an investor holds, from a registered share at the top to a purely contractual exposure at the bottom, and explains which rights are lost at each rung. Fourth, it offers a diligence framework and a checklist that reduce a complex structure to a small number of answerable questions.

The remainder of the paper is organised as follows. Section 2 reviews the relevant ideas from the literature on financial intermediation, fee structures and beneficial ownership, and states the propositions that the analysis develops. Section 3 describes the analytical method and the assumptions behind the illustrative figures. Section 4 presents the core analysis: the layering map, the fee mechanics, the ownership ladder and the layered-structure risks. Section 5 sets out a diligence framework for evaluating an SPV offer. Section 6 addresses the regional context of the Gulf Cooperation Council in 2026. Section 7 records the risks, caveats and limitations of the analysis, and Section 8 concludes.

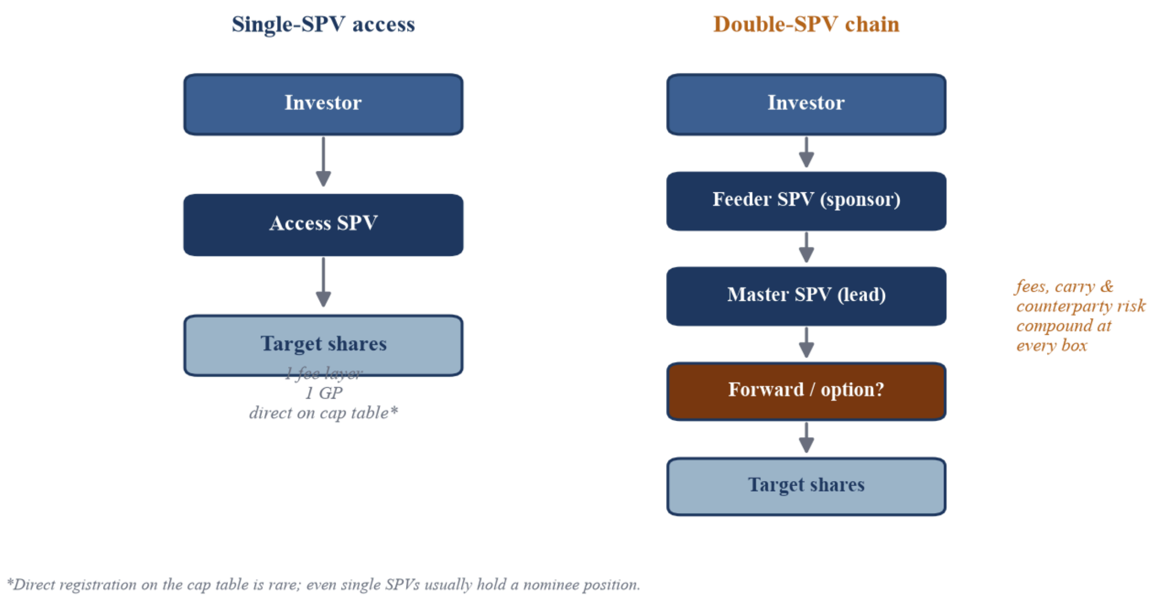

Figure 1. Single-SPV access compared with a double-SPV chain

Illustrative schematic. The left column shows a single access vehicle between the investor and the target shares; the right column shows a feeder subscribing into a master that may hold a forward or option rather than the shares themselves. Fees and counterparty risk accumulate at every box.

2. BACKGROUND AND PROPOSITIONS

The layered SPV is a particular instance of a much older subject, the cost and the consequence of financial intermediation. The analysis draws on three bodies of thinking: the literature on fees and their drag on net returns, the literature on the agency problems that arise when one party invests through another, and the legal and regulatory literature on beneficial ownership and the rights that attach to indirect holdings.

2.1 Fees, Compounding and the Drag on Net Returns

The starting point is the elementary but frequently underappreciated fact that fees compound. A single management fee of two per cent charged annually on committed capital over a multi-year hold is not a two per cent reduction in the final return; it is a recurring charge whose cumulative effect grows with the holding period. When a share of the gain, a carried interest, is added, the drag rises further and becomes sensitive to the gross outcome. The classic studies of fund economics, from the work on private-equity net-to-gross spreads to the broader literature on the cost of active management, establish that the difference between gross and net performance is large, persistent and systematically underestimated by investors who read headline rates rather than model cash flows.

The novel feature of the layered SPV is that these charges are levied more than once. A fee at the feeder and a fee at the master are not simply two fees to be added together; the feeder's fee is charged on capital that has already been reduced by the master's economics, and the carried interest at one level is computed on a gain that is itself net of the carried interest at the level below. The interaction is multiplicative. A reader who is comfortable with the drag of a single one-and-ten arrangement can badly misjudge the drag of two such arrangements stacked on top of one another.

2.2 Agency, Intermediation and the Principal's Problem

A second literature concerns what happens when a principal invests through an agent, and through a chain of agents. The agency problem is well understood at a single level: the manager's incentives, shaped by the fee structure, do not perfectly align with the investor's, and the investor must rely on governance, disclosure and reputation to bridge the gap. A layered structure multiplies the problem. The feeder's sponsor is an agent of the regional investor, but is in turn a principal in its relationship with the master, whose sponsor is an agent of the feeder and a principal in relation to the company. Information degrades along this chain, incentives are imperfectly transmitted, and the investor at the top has limited ability to monitor parties with whom it has no direct relationship.

The intermediation literature also draws attention to the difference between an intermediary that adds value and one that merely interposes itself. A lead sponsor that sources a genuinely scarce allocation, negotiates rights, and conducts diligence performs a function for which a fee is justified. A feeder that does nothing more than re-wrap that master interest for a regional audience, adding a second layer of fees without adding diligence, sourcing or rights, is harder to justify on the merits. A central task of diligence is to distinguish the two, and the structural map in this paper is intended to assist that judgement.

2.3 Beneficial Ownership and the Rights of Indirect Holders

A third strand is legal. The law distinguishes carefully between a registered holder of a share, who appears on the company's register and enjoys the statutory rights of a member, and a beneficial owner, who has an economic interest mediated by one or more intermediaries. The further an investor sits from the register, the more its rights depend on contract rather than on company law, and the more those rights can be shaped, narrowed or withheld by the documents that govern the intervening vehicles. The literature on custody chains, nominee holdings and the intermediated securities system has long warned that economic exposure and legal ownership can diverge, and that the holder of an indirect interest may find that the rights it assumed it had reside, in law, with someone else.

This matters in the pre-IPO context for three concrete reasons. Information rights, which determine whether the investor can see the company's performance, are typically held by the master and may not flow to the feeder. Transfer rights, which determine whether the investor can sell before an exit, are constrained by every set of vehicle documents in the chain. And the treatment on exit, particularly in a trade sale or a structured liquidity event rather than a clean flotation, depends on terms negotiated by parties the investor never meets. A claim on a claim is not the same asset as a share, and the difference is most visible precisely when it matters most.

A point implicit in this literature deserves to be made explicit, because it is the hinge of the whole argument. Intermediation is not free, and it is not costless precisely because it is useful. The investor pays a sponsor to do something the investor cannot do alone: to find the allocation, to negotiate the terms, to hold the position and to manage it to an exit. The question is never whether to pay for intermediation but how much, and how many times. A single, well-chosen intermediary that performs a genuine function and charges a fair price for it can be the difference between owning a desirable asset and not owning it at all. The pathology this paper describes arises only when a second or a third intermediary is added that performs no new function, that duplicates rather than extends the work of the first, and that charges as though it had created the access rather than merely passed it along. Distinguishing the useful intermediary from the redundant one is the analytical heart of evaluating a layered structure, and it is a judgement about function and price, not a prejudice against structure as such.

2.4 Propositions

Taken together, these literatures yield five propositions that the rest of the paper develops and illustrates.

- Proposition 1. The structure offered to a Gulf investor is best understood as a chain of vehicles, and the first task of any evaluation is to count the links between the subscription and the asset.
- Proposition 2. Fees levied at more than one level compound rather than add, so the total drag of a layered structure is materially greater than the sum of its headline rates suggests.
- Proposition 3. What the investor owns weakens at every step down the chain, from a registered share through a direct interest to a claim on a claim and, at the limit, to a purely contractual exposure.
- Proposition 4. Layered structures carry risks that single vehicles do not, including the failure or the misconduct of an intermediate vehicle, the conflation of a forward with a holding, and the opacity of the underlying cap table.
- Proposition 5. These costs and risks can be assessed before subscription using a small, structured set of questions, and an offer that cannot answer them clearly should be treated with caution.

3. DATA AND METHODOLOGY

This study is analytical and descriptive rather than empirical. It does not test a hypothesis against a dataset of transactions, both because the relevant data, the internal economics of private SPV chains, are not disclosed in any systematic way, and because the paper's purpose is to make a structure legible rather than to estimate a parameter. The method is to build a small set of stylised models and figures that expose the mechanics of layering, and to reason from them to a practical diligence framework.

3.1 The Analytical Framework

The framework has four components. The first is the layering map of Figure 1, which classifies any offer by the number and the nature of the vehicles between the investor and the shares. The second is the fee waterfall, which traces a gross gain through the charges levied at each level to the net amount that reaches the investor. The third is the ownership ladder, which ranks the legal quality of what is held at each rung of the chain. The fourth is the diligence framework of Section 5, which converts the structural analysis into a sequence of questions an investor can put to a sponsor.

3.1a What the Framework Does and Does Not Do

The framework is a tool for reasoning about structure and cost. It does not value any company, it does not opine on whether a particular pre-IPO name is a good investment, and it does not predict whether or when a company will list. It assumes that the reader has formed, or will form separately, a view on the underlying asset, and it addresses only the question of how the wrapper around that asset affects what the investor pays and what the investor owns. A sound structure around a poor asset remains a poor investment, and the framework does not pretend otherwise.

3.2 Assumptions and Their Justification

The illustrative figures rest on a small number of stylised inputs, set out in Table 1. The fee rates are chosen to sit within the range commonly described for access vehicles in private markets, the holding period reflects the multi-year horizon typical of a late-stage private company, and the gross return is an arbitrary index chosen to make the proportional effect of fees visible. None of these inputs is a forecast, and none is drawn from a specific transaction. They are calibrations whose only purpose is to render the mechanics legible. A reader who substitutes the actual terms of a real offer into the same structure will obtain the figure that matters for that offer.

Table 1. Base-Case Assumptions for the Illustrative Models

Input	Illustrative value	Rationale
Gross gain (index)	100	Arbitrary base so charges read as a share of the gain
Master management fee	1.5% to 2.0% p.a.	Typical range for a lead access vehicle
Master carried interest	10% to 20%	Common share of the upside at the lead level
Feeder management fee	1.0% to 2.0% p.a.	Second charge for the regional re-wrap
Feeder carried interest	5% to 15%	Additional upside share at the feeder level
Administration and legal	3% to 5% of gain	Set-up, audit, custody and legal across the chain
Holding period	2 to 5 years	Horizon to a listing or liquidity event
Layers assumed	1 to 3	From a single SPV to a feeder-master-forward chain

Indicative, illustrative calibrations used to make the structure legible. Not forecasts, not sourced data and not representative of any actual vehicle or transaction.

4. THE ANATOMY OF A LAYERED STRUCTURE

This section presents the analysis in the order of the propositions. It first sets out how to read the layering map, then traces the compounding of fees, then ranks what is owned at each rung, and finally catalogues the risks that are specific to stacked structures.

4.1 Counting the Layers

The first and most important act of diligence is also the simplest: establish how many vehicles stand between the subscription and the shares, and what each of them holds. Figure 1 contrasts the two archetypes. On the left is a single access vehicle. The investor subscribes into one SPV, that SPV holds the shares, and there is a single set of documents, a single fee, a single sponsor and a single counterparty. This is the structure that most investors believe they are buying when they read the word SPV on an offer.

On the right is the structure that is in fact more common when an allocation is marketed into the Gulf by an intermediary rather than by the lead investor. A feeder vehicle is formed to gather regional subscriptions. That feeder does not hold the shares; it subscribes into a master vehicle assembled by the lead sponsor, who may be a specialist secondary firm, a broker or another fund. The master may hold the shares, or it may hold them through a nominee, or, at the limit, it may hold nothing more than a forward contract or an option that entitles it to receive the shares at a future date if certain conditions are met. The investor at the top of this chain is three or four contractual relationships away from the company.

The distinction is not academic. A single vehicle has one point of failure, one fee, and one set of rights to examine. The double-SPV chain has two or more of each, and the further the chain extends, the more the structure resembles a series of nested claims rather than a holding of an asset. The practical instruction that follows from Figure 1 is to require, before any other question is asked, a complete diagram of the structure that shows every vehicle, its jurisdiction, what it holds and who controls it. An offer that cannot or will not supply such a diagram has answered an important question by its silence.

It is worth pausing on why the double-SPV chain exists at all, because understanding its origin clarifies how to evaluate it. The chain is not, in most cases, the product of deliberate obfuscation. It arises from a genuine division of labour. A specialist secondary firm or a broker with relationships among a company's early shareholders and employees is well placed to source a block of shares and to assemble a master vehicle to hold them. That firm, however, may have neither the licence nor the distribution network nor the local relationships to market the interest to investors in the Gulf. A regional intermediary that does have those things then forms a feeder to gather subscriptions and to channel them into the master. Each party performs a function, and each expects to be paid for it. The structure is, in this benign reading, simply the institutional expression of a supply chain that runs from an employee's share certificate to a family office's portfolio.

The difficulty is that a supply chain optimised for the convenience of the intermediaries is not necessarily optimised for the economics of the end investor. Each handoff is an opportunity to charge, and the charges are not always visible to the party who ultimately bears them. The investor sees the feeder's terms clearly, because those are the terms it is asked to sign. It sees the master's terms only if it asks, and it sees the entry price the master paid only if the master chooses to disclose it. The structure that is benign in its origin can therefore be opaque in its economics, and the investor's task is to make the economics visible whatever the intentions behind the structure.

4.2 How Fees Compound Across Layers

Figure 2 traces a stylised gross gain of one hundred through the charges levied in a two-layer structure. The master vehicle takes a management fee accrued over the hold and a carried interest on the gain. The feeder then takes its own management fee and its own carried interest, computed on the amount that survives the master's charges. Administration and legal costs, incurred at both levels, are deducted as well. The amount that reaches the investor is the residual at the right of the chart.

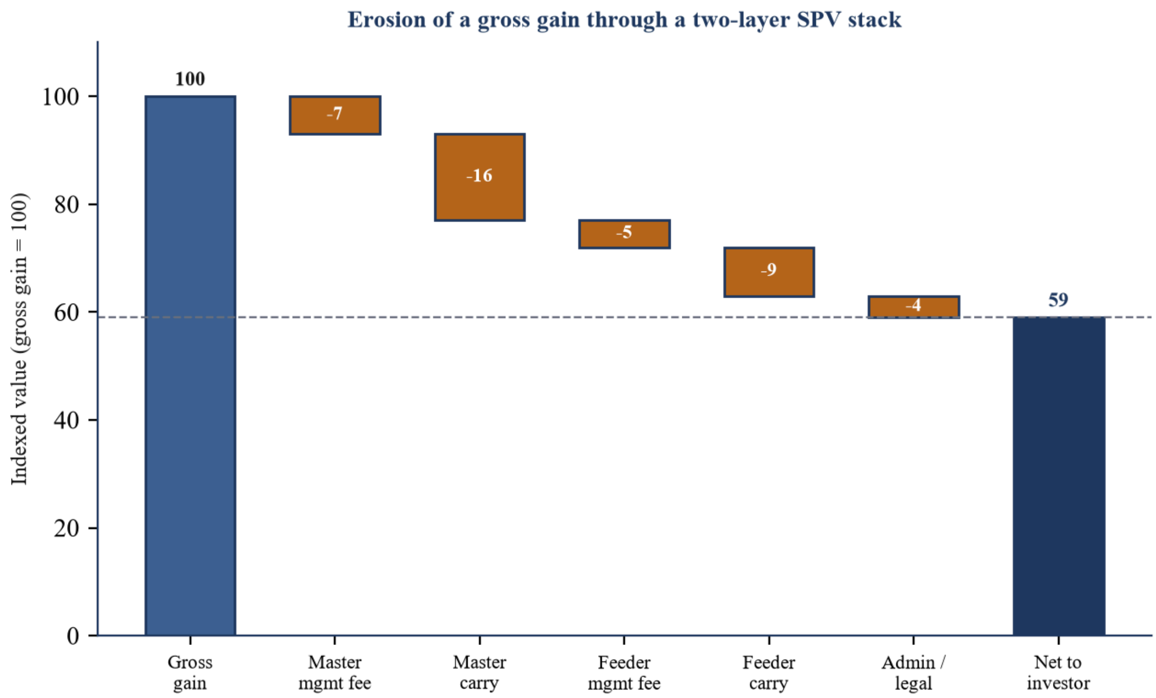

Figure 2. Erosion of a gross gain through a two-layer SPV stack

Illustrative waterfall. A gross gain indexed to 100 is reduced by management fees and carried interest at the master and feeder levels and by administration and legal costs, leaving a net amount for the investor. Values are stylised and not drawn from any actual vehicle.

The figure makes two points that headline terms conceal. The first is the sheer size of the cumulative deduction. A structure each of whose individual charges looks moderate can, when the charges are stacked, consume a third or more of the gross gain before the investor sees a penny. The second is that the deductions interact. The feeder's carried interest is taken on a gain already reduced by the master's carried interest, so the two carries do not simply add; the effective total share of the upside surrendered is a function of both rates and of the order in which they are applied.

Figure 3 generalises the point by plotting an assumed gross internal rate of return against the net rate that survives one, two and three layers of intermediation. The gross rate is held constant; the net rate falls at each step as another management fee and another carry are introduced. The widening gap between the two lines, the fee wedge, is the cost of the wrapper, and it grows with each layer added. An investor who compares offers on their headline gross expectations, without adjusting for the number of layers, is comparing quantities that are not comparable.

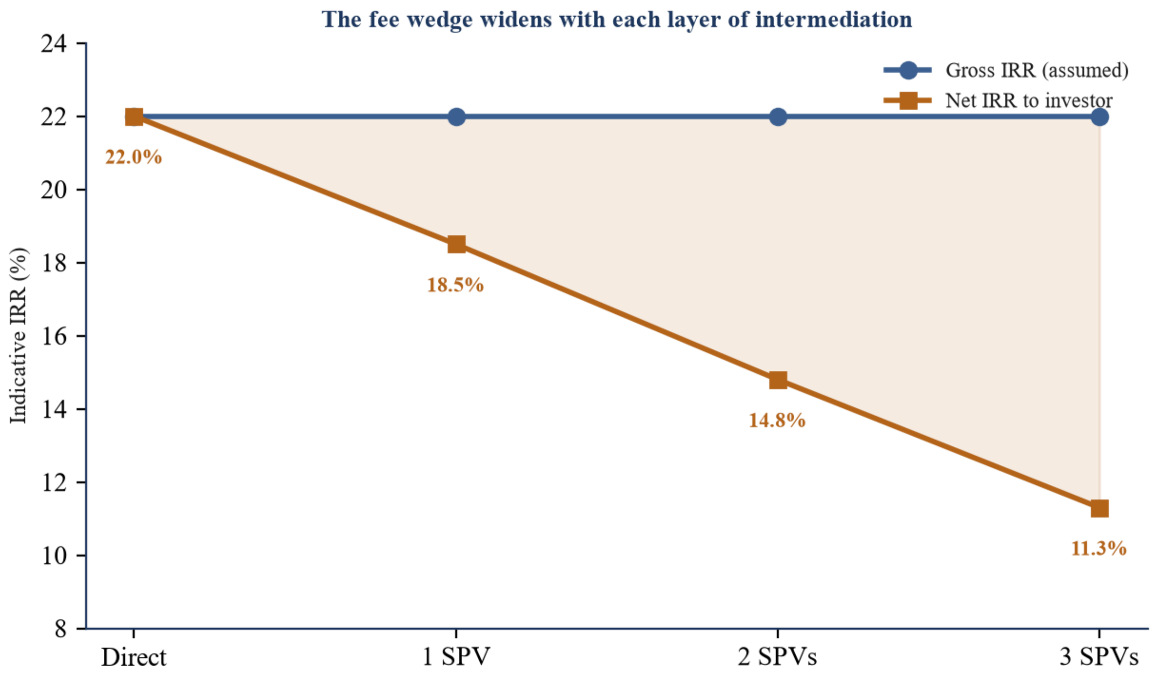

Figure 3. The fee wedge widens with each layer of intermediation

Illustrative. The upper line holds the assumed gross internal rate of return constant; the lower line shows the net rate to the investor after the fees and carry of successive layers. The shaded wedge is the cumulative cost of intermediation. Stylised values, not a forecast.

Figure 4 presents the same idea as a sensitivity grid, showing the total fee drag, expressed as a share of the gross gain consumed, for combinations of holding period and number of layers. Two regularities stand out. Drag rises with the number of layers, as each adds a fixed and a performance-related charge. And drag rises with the holding period, because management fees accrue over time even when no value is created; a long road to a listing is expensive in a layered structure regardless of the eventual outcome. The combination of many layers and a long hold is the most punishing, and it is precisely the combination most common in pre-IPO secondaries, where the asset is illiquid and the timing of an exit is uncertain.

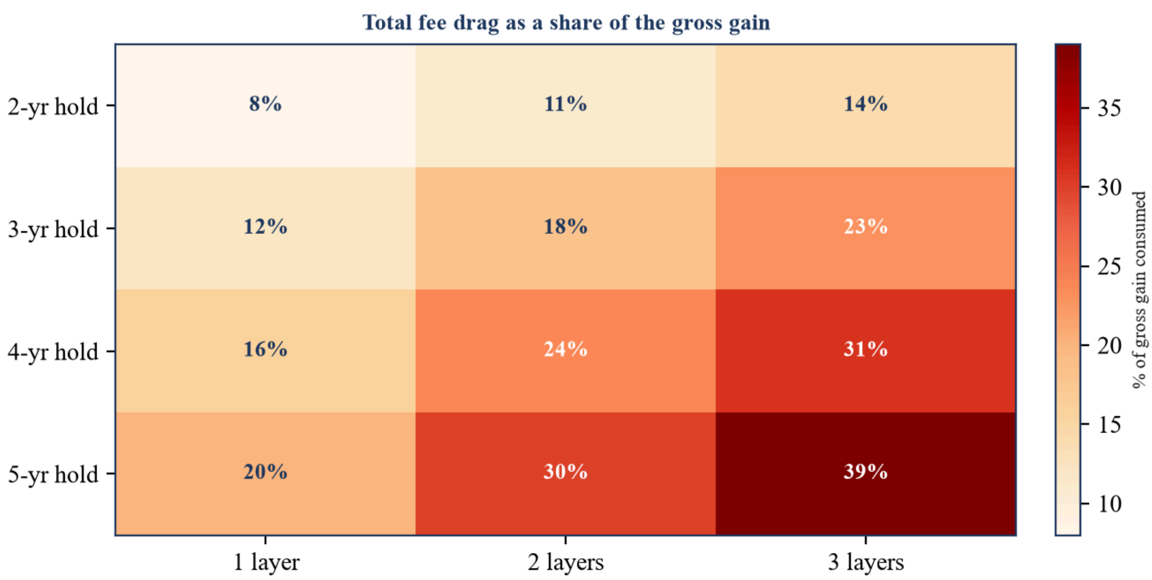

Figure 4. Total fee drag as a share of the gross gain, by hold and layers

Illustrative sensitivity grid. Each cell shows the proportion of the gross gain consumed by fees and carry for a given holding period and number of layers. Values are stylised to show direction and magnitude, not to represent any specific vehicle.

A worked illustration fixes the magnitudes. Suppose a master vehicle charges a management fee of two per cent a year and a carried interest of twenty per cent above no hurdle, and a feeder layered above it charges a further one and a half per cent a year and a further ten per cent of the gain. Suppose the underlying position is held for four years and doubles in gross value. The two management fees, accruing over four years on the subscribed capital, together consume roughly fourteen per cent of that capital before any gain is shared. The master then takes a fifth of the gross gain, and the feeder takes a tenth of what remains, so that the two carries together surrender close to a third of the gain rather than the thirty per cent a naive addition of the two rates would suggest, because the feeder's carry compounds on a base the master has already reduced. Add administration, audit and legal costs spread across two vehicles, and a gross doubling can deliver the investor a net return that is a fraction of what the headline gross figure implied. The precise numbers vary with the terms, but the direction and the order of magnitude are robust: layering is expensive, and the expense is concealed by the convention of quoting each layer's terms in isolation.

The same arithmetic explains why the holding period matters so much. Management fees are charged on capital, not on gains, and they accrue whether or not the company creates value or moves towards a listing. In a single vehicle this time cost is already material; in a layered structure it is doubled, because two management fees run in parallel for the whole of the hold. A pre-IPO position that takes six years rather than three to reach liquidity does not merely defer the investor's return; it doubles the fixed fee burden the return must overcome before the investor is made whole. Because the timing of a private company's listing is precisely the variable an outside investor cannot control or predict, the time sensitivity of layered fees is among the most underappreciated risks in the whole structure.

4.3 What You Really Own

Fees determine what the investor keeps; the ownership structure determines what the investor holds, and the two questions are distinct. Figure 5 sets out an ownership ladder. At the top is the strongest position, a registered shareholder whose name appears on the company's register and who enjoys the full statutory rights of a member. This position is rare for an outside pre-IPO investor and is essentially never what an SPV subscriber obtains.

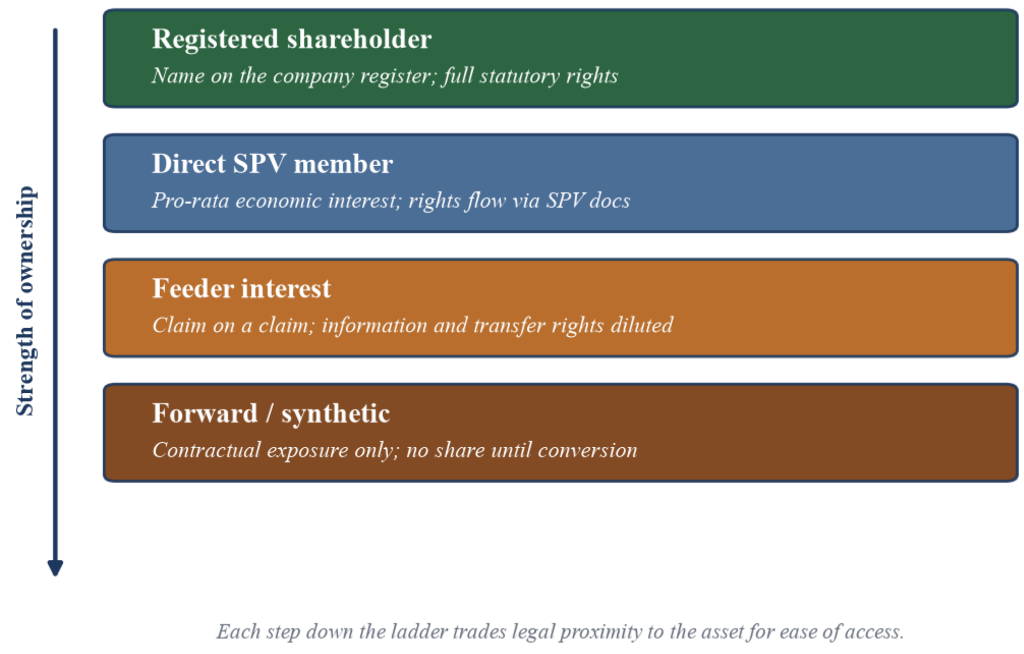

Figure 5. The ownership ladder: from a registered share to a contractual claim

Illustrative. Each rung trades legal proximity to the asset for ease of access. A subscriber into a feeder typically sits two or more rungs below a registered holding, with information and transfer rights correspondingly diluted.

One step down is the direct SPV member, who holds an interest in a vehicle that itself holds the shares. This investor does not appear on the company register, but the chain to the asset is short and the vehicle's documents define a clear pro-rata economic interest. One step further down is the feeder interest, where the investor holds an interest in a vehicle that holds an interest in another vehicle. This is a claim on a claim. The economic exposure may be the same on paper, but the rights that accompany it are mediated by two sets of documents, and the investor's ability to act on its interest depends on parties it does not control.

At the bottom of the ladder is the position in which the relevant vehicle holds not shares but a contractual right to shares, a forward or an option. Here the investor has economic exposure to the company's value but owns no share at all until and unless the contract converts. If the company is acquired rather than floated, if the counterparty to the forward fails, or if the conditions to conversion are not met, the investor may find that what it owned was a promise rather than a property. The distinction between a holding and a forward is the single most important thing an investor can establish about a pre-IPO offer, and it is frequently the least clearly disclosed.

Three categories of right deserve specific attention because they weaken predictably down the ladder. Information rights determine whether the investor can see the company's financial performance and valuation marks; these are usually negotiated at the master level and frequently do not flow through to a feeder, leaving the regional investor dependent on whatever the sponsor chooses to pass on. Transfer rights determine whether the investor can sell its interest before an exit; every layer adds a consent requirement and a potential restriction, so a feeder interest is typically the least liquid position of all. And exit rights determine how and when the investor receives the proceeds of a listing or a sale; in a layered structure the proceeds must travel back up the chain, and at each level they may be delayed, netted against costs, or subject to a further charge.

Table 2. What You Really Own at Each Rung of the Ladder

Position	On cap table?	Information	Transfer	Exit proceeds
Registered shareholder	Yes	Full statutory	Per company rules	Direct
Direct SPV member	Via vehicle	Per SPV docs	SPV consent	Through one vehicle
Feeder interest	No	Often diluted	Two consents	Through two vehicles
Forward / synthetic	No	Limited	Usually restricted	On conversion only

Illustrative characterisation. The precise rights at each position depend on the constitutional documents of the vehicles and on the governing law, and require case-specific legal review.

4.4 The Risks Specific to Layered Structures

Beyond fees and diluted rights, layered structures carry a set of risks that a single vehicle does not, or carries to a lesser degree. They warrant explicit attention because they are easy to overlook in an offer that emphasises the desirability of the underlying company.

4.4a Intermediate Vehicle Failure

Each vehicle in the chain is a legal entity that can fail, be wound up, or fall into dispute independently of the company whose shares it ultimately reflects. If a master vehicle becomes insolvent or its sponsor is removed, the feeder's claim is against that troubled vehicle, not against the company, and the regional investor may find its exposure trapped in a structure it cannot control. The risk is not that the company fails but that an intermediary does, and the more intermediaries there are, the more independent points of failure the investor has accepted.

4.4b The Forward Masquerading as a Holding

The most consequential ambiguity in pre-IPO offers is whether the structure holds shares or merely contracts for them. A forward purchase agreement gives economic exposure but is, in substance, an unsecured claim against a counterparty, frequently an employee or early shareholder who has agreed to deliver shares on a future date. If that counterparty changes its mind, becomes insolvent, or is prevented by the company from transferring, the forward may not perform, and the investor's expectation of ownership proves to have been an expectation of a contractual remedy. An offer should state plainly, at every level of the chain, whether shares are held or merely promised.

4.4c Cap-Table Opacity

An investor several layers removed from the company rarely sees the company's capitalisation table and so cannot verify the price at which the underlying shares were acquired, the class of shares held, or the liquidation preferences that sit above them. A structure may hold common stock junior to several rounds of preferred, with the result that a disappointing exit returns far less to the common than the headline valuation implied. The layers compound this opacity, because each one stands between the investor and the primary record.

4.4d Conflicts and Related-Party Dealing

A feeder and a master controlled by related parties, or a sponsor that sits on both sides of the transaction, can embed terms that favour the sponsor over the investor: an inflated entry price, an additional fee disguised as an expense, or a transfer of the interest between affiliated vehicles at a markup. The investor's protection lies in disclosure and in independent administration, and the absence of either in a multi-layer structure is a serious warning sign.

4.5 When a Second Layer Is Justified

It would be a mistake to read the foregoing as a blanket condemnation of every multi-vehicle structure. There are circumstances in which a second layer earns its cost, and an investor who refuses every layered structure on principle will exclude itself from assets it could legitimately own. A second vehicle is defensible when it performs a function the investor genuinely values and could not obtain more cheaply. Four such functions recur. The first is access itself: if the only way to reach a desirable master vehicle is through a feeder that aggregates regional cheques to a size the master will accept, the feeder has created access that did not otherwise exist. The second is currency, custody and administrative convenience: a feeder formed in a familiar jurisdiction, with local reporting and a known administrator, may spare the investor a set of operational burdens whose cost exceeds the feeder's fee. The third is negotiated rights: a feeder sponsor with scale may secure information or transfer rights from the master that an individual investor could not, and pass them through. The fourth is aggregation of diligence: a feeder that conducts genuine, independent work on the master and the underlying company, rather than merely reselling the master's materials, provides a service for which a fee is fair.

The test, in every case, is incremental. The question is not whether the second layer does anything, but whether it does anything the investor could not obtain more cheaply, and whether its fee is proportionate to that incremental contribution. A feeder that adds genuine access, real rights or independent diligence may well be worth its cost. A feeder that adds only a second invoice is not. The burden of demonstrating the incremental value rests, properly, with the party proposing the layer, and an investor is entitled to ask for that demonstration in concrete terms before agreeing to pay for it.

Table 3. A Taxonomy of Access Structures by Number of Layers

Structure	Layers	Typical use	Main drawback
Direct holding	0	Insiders, lead funds	Almost never available to outsiders
Single access SPV	1	Club deals, lead-sponsored access	One fee; sponsor concentration
Feeder into master	2	Regional re-wrap of a sourced block	Fee compounding; diluted rights
Feeder into master into forward	3	Synthetic or pre-settlement exposure	Counterparty risk; owns no share

Illustrative. The number of layers is the first-order determinant of cost and of the quality of ownership; the table is a guide to placing any offer on the spectrum, not a ranking of merit.

4.6 An Illustrative Scenario

To draw the threads together, consider a stylised offer of the kind a regional family office might receive. The names and figures are invented and are used only to make the mechanics concrete; nothing here describes a real transaction. A placement agent presents a chance to invest in a well-known private artificial-intelligence company widely expected to list within a few years. The headline terms look reasonable: a one and a half per cent annual management fee and a ten per cent carried interest, with a minimum subscription that the family office can comfortably meet. The deck shows the company's most recent primary valuation and a chart implying substantial upside to a listing.

Structural questions quickly complicate the picture. The vehicle the family office is asked to subscribe into turns out to be a feeder formed in one jurisdiction, which subscribes into a master formed in another, assembled by a secondary specialist the family office has never dealt with. The one and a half and ten are the feeder's terms; the master charges a further two per cent and twenty per cent, disclosed only on request and buried in a document the family office had not been sent. The master, moreover, does not yet hold the shares. It holds a forward agreement with an early employee who has contracted to deliver them after a lock-up expires, an arrangement that may or may not survive the company's own transfer restrictions. The family office, which believed it was buying shares in a named company through a single fund, is in fact buying a feeder interest in a master that holds a contractual claim against an individual, with two layers of fees and a counterparty risk nowhere mentioned in the deck.

None of this necessarily makes the investment unwise. The company may be excellent, the forward may perform, and the combined terms, once modelled, may still leave an attractive net return. But the family office can only reach that judgement once it has counted the layers, priced each one, and established what it would own if the company were acquired before the forward settled. The offer as first presented did not enable any of those judgements, and an investor who subscribed on the strength of the headline terms alone would have been buying something materially different from what it believed it was buying. The diligence framework set out next is designed precisely to surface these facts before, rather than after, the money moves.

5. A DILIGENCE FRAMEWORK FOR SPV OFFERS

The preceding analysis reduces to a practical sequence of enquiries. The framework below is organised so that the cheapest and most decisive questions come first; an offer that fails at an early stage rarely merits the effort of the later stages.

5.1 Structure: Count and Characterise the Layers

- Obtain a complete structure diagram showing every vehicle, its jurisdiction, what it holds and who controls it. Count the layers between the subscription and the shares.
- Establish, for the vehicle nearest the asset, whether it holds shares, holds them through a nominee, or holds only a forward or option. Treat a forward as a counterparty claim, not a holding.
- Identify the sponsor at each level and whether any of them are related parties.

5.2 Economics: Price Every Layer

- List the management fee, the carried interest, the hurdle if any, and the expense load at each level, not only at the feeder the investor is being asked to subscribe into.
- Model the combined drag over a realistic holding period using the actual terms, and compare the net outcome with a single-vehicle alternative if one exists.
- Ask explicitly whether any placement fee, set-up fee or transaction fee is charged in addition, and to whom it is paid.

5.3 Ownership: Establish the Rights

- Determine whether information rights at the master level flow through to the feeder, and what reporting the investor will actually receive.
- Establish whether and how the interest can be transferred before an exit, and how many consents a sale would require.
- Trace how exit proceeds travel back up the chain, what charges apply at each level, and how long distribution is likely to take.

5.4 Risk and Governance

- Ask what happens if an intermediate vehicle fails or its sponsor is removed.
- Confirm that administration, audit and custody are independent of the sponsor.
- Request the underlying entry price and share class, and treat an inability to provide them as a material limitation.

An offer that answers these questions clearly and in writing may still be unattractive on its terms, but it can at least be evaluated. An offer that cannot answer them has not been made transparent enough to subscribe into, however desirable the company at the bottom of the chain may be.

6. THE GULF CONTEXT IN 2026

The layered SPV is not a regional phenomenon, but its prevalence in the Gulf in 2026 reflects particular conditions. Demand among family offices and private investors for exposure to the largest private technology and artificial-intelligence companies has grown sharply, while direct access to those companies' cap tables remains the preserve of a small number of global funds and insiders. Into that gap have stepped intermediaries who acquire or contract for allocations and re-wrap them for regional distribution, and the feeder-into-master structure is the natural vehicle for doing so.

Two features of the regional market sharpen the relevance of this paper's argument. The first is the speed at which allocations are marketed and closed, often on the strength of a short presentation and a brand-name target, which leaves little time for the structural diligence the framework calls for. The second is the variation in regulatory perimeter across the region's centres. An interest offered from one jurisdiction into another, through vehicles formed in a third, may sit at the edge of, or outside, the protections an investor would assume applied. The investor's safeguard is not to rely on the assumption of oversight but to establish, structure by structure, what protections actually exist.

A third feature is the profile of the typical regional buyer. Many Gulf family offices are principal-led, decisive and able to commit quickly, qualities that are an advantage in a competitive allocation but a liability when the structure around that allocation is complex and the time for diligence is short. The same speed that secures the deal can prevent the buyer from establishing how many layers it is subscribing through and what each one costs. The discipline this paper recommends is, in part, a counterweight to that speed: a small, fixed set of questions that can be put to a sponsor in the time available and that establish the structural facts before a commitment is made. The aim is not to slow good decisions but to ensure that the decision is made on the structure as it is rather than on the structure as it is presented.

A fourth feature is the role of the adviser. An increasing share of regional allocations to pre-IPO names is intermediated by wealth managers, multi-family offices and placement agents who themselves sit between the family office and the feeder. Where the adviser is remunerated by the sponsor rather than by the investor, a further conflict enters the chain, and the investor should establish how its adviser is paid before relying on the adviser's recommendation. An independent adviser, paid by the investor and incentivised to minimise rather than to multiply layers, is among the most effective protections available, and the structural framework set out here is intended to be as useful to that adviser as to the principal.

None of this argues against the asset class. Exposure to leading private companies before they list can be a legitimate and rewarding component of a sophisticated portfolio, and an SPV is frequently the only feasible route to it. The argument is narrower and structural: that the route should be examined with the same rigour as the destination, that the number of layers and the cost of each should be established before subscription, and that the investor should know, in advance and in writing, what it would own if the company never reaches the public market.

7. RISKS, CAVEATS AND LIMITATIONS

Several limitations of the analysis should be stated plainly. First, the paper is illustrative. The figures and tables are stylised to expose mechanics and carry no claim to represent the terms of any actual vehicle; a reader must substitute real terms to obtain a real answer. Second, the legal characterisations are general and jurisdiction-neutral, while the rights and obligations in any structure are determined by its specific documents and governing law and require case-specific advice. Third, the paper addresses structure and cost, not the merit of any underlying company; a transparent, low-cost wrapper around a poor asset remains a poor investment.

Fourth, layered structures are not uniformly disadvantageous. A second layer that genuinely adds sourcing, diligence, negotiated rights or a currency, custody or tax convenience the investor could not obtain alone may justify its cost. The paper's argument is not that layers are always wrong but that they are always to be counted and priced, and that the burden of justifying each layer rests with the party proposing it. Fifth, the analysis does not constitute investment, legal or tax advice and is offered for educational purposes only.

8. CONCLUSION

The special-purpose vehicle is a useful instrument, and for most private investors it is the only practical means of owning a stake in a large company before it lists. But the vehicle offered into the Gulf is frequently not a single wrapper around an asset; it is a chain of wrappers, each with its own fee, its own carry, its own administration and its own counterparty, and the investor at the top of the chain is several steps removed from the shares whose name appears on the offer.

This paper has argued that two questions resolve most of the difficulty. The first is how many layers stand between the subscription and the asset, and what each one costs; fees stacked across layers compound rather than add, and a structure described in benign terms can consume a third or more of the gross gain. The second is what the investor would actually own at the bottom of the chain, which is often a claim on a claim, or a contractual right to shares rather than the shares themselves, with information, transfer and exit rights that weaken at every step down the ladder.

Neither question is difficult to ask, and an honest sponsor can answer both. The diligence framework set out here reduces a complex structure to a short sequence of enquiries: count the layers, price each one, establish the rights, and test the risks. An offer that answers clearly can be judged on its terms. An offer that cannot answer has told the investor something important. The discipline the paper recommends is modest, but in a market that moves quickly on the strength of famous names, the investor who insists on seeing through the wrapper to the asset, and who counts and prices every layer before money moves, is the investor least likely to find that what it bought was not what it believed it had bought.

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ABOUT THE AUTHOR

Chennakeshav (CK) Adya writes on private-market structuring, alternatives and capital formation across the Gulf Cooperation Council. His work focuses on the practical mechanics of how international and regional capital reaches private assets, and on the structures, costs and governance arrangements that sit between an investor and the underlying exposure. This paper is part of a series examining access routes to pre-IPO secondaries for Gulf-based allocators. The views expressed are the author's own and are offered for educational purposes. Nothing in this paper constitutes investment, legal or tax advice, or an offer or solicitation in respect of any security or vehicle.

APPENDIX A. SPV OFFER DILIGENCE CHECKLIST

The following one-page checklist condenses the framework of Section 5 into a form an investor or adviser can apply to any SPV offer before subscription.

1. Has a complete structure diagram been provided, showing every vehicle, its jurisdiction, what it holds and who controls it?

2. How many layers stand between the subscription and the shares?

3. Does the vehicle nearest the asset hold shares, a nominee position, or only a forward or option?

4. What is the management fee, carried interest, hurdle and expense load at each level?

5. What is the combined fee drag over a realistic holding period, modelled on the actual terms?

6. Are any placement, set-up or transaction fees charged in addition, and to whom?

7. Do information rights flow through to the investor, and what reporting will actually be received?

8. Can the interest be transferred before an exit, and how many consents would a sale require?

9. How do exit proceeds travel back up the chain, with what charges and what likely delay?

10. What happens if an intermediate vehicle fails or its sponsor is removed?

11. Are administration, audit and custody independent of the sponsor?

12. What is the underlying entry price and share class, and where do they sit in the liquidation stack?

APPENDIX B. GLOSSARY OF KEY TERMS

Special-purpose vehicle (SPV). A legal entity formed for a single, limited purpose, here to hold an interest in one company and sell participations in it.

Feeder vehicle. A vehicle that gathers investor subscriptions and invests them into a master vehicle rather than directly into the asset.

Master vehicle. The vehicle, typically assembled by a lead sponsor, that holds or contracts for the underlying shares.

Carried interest. A share of the investment gain paid to a sponsor, commonly after a hurdle return.

Forward purchase agreement. A contract to buy shares at a future date; it confers economic exposure but not legal ownership until it performs.

Beneficial owner. A party with an economic interest in an asset that is held in the name of an intermediary.

Fee drag. The reduction in net return caused by the cumulative effect of fees and carried interest over the holding period.

Cap table. The record of a company's ownership, showing share classes, holders and the preferences that rank them.

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