

Independent Sponsor Alpha: Four Differentiators Driving Outperformance in Private Equity



By John J. Koepfel

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Top 4 differentiators for independent sponsors and how they are unlocking alpha:

- **RISK-RETURN DYNAMICS:** frequently operate in overlooked or less competitive areas of the market
- **ALIGNMENT MINDSET:** Without the luxury of fund management fee income from committed capital, I-sponsors often have a sharp focus on deal sourcing, creativity, operational performance, and downside discipline
- **CREATIVITY:** By operating in the “blind spots of mainstream capital”, I-sponsors can use flexibility and create arbitrage in (1) pursuing target companies larger groups avoid, (2) entry valuation, and (3) deal structuring (rollover equity, seller financing, and/or earnouts). This creativity often applies to tax structures as well (i.e., Qualified Small Business Stock)
- **TAILWINDS / ECOSYSTEM:** isponsors are no longer the forgotten stepchild. An estimated doubling of their

number in the last 5 years (one estimate is 1500 I-sponsors now exist). Tremendous opportunities to start a firm and close deals with lots of capital options (including from one of 318 SBICs).

John Koepfel's commentary on ["Unlocking alpha and agility the investment case for emerging managers and independent sponsors in private markets"](#) (November 24, 2025) by Lorna Robertson for *Connection Capital*.

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