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Independent Sponsor Deals: Why Direct Deal Investing Is Growing at 52.8% CAGR

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I've been around "fund-less" / independent sponsor deals for over 27 years, and the direct deal explosion (52.8% CAGR in the last few years) is incredible. Why?

- More quality isponsors being launched (coming from PE, investment banking/consulting, former operating executives, etc.). The expertise demarcation between fund-less and funded sponsors is blurring.
- Broader access to capital (SBICs, family offices, dedicated funds that focus on isponsor deals, HNWs, etc). More quality placement agents focusing on direct equity raises. Leading industry conferences offer capital matchmaking.
- Investors love the visibility on the specific asset being acquired (something the blind pool model can't do).
- Deal-by-deal investing can offer shorter duration exposure + better tax benefits (ie, Qualified Small Business Stock).
- Various industry studies that lower middle market (LMM) deals outperform -> IRRs often 26%+ / 2.8x+. LMM opportunities combine arbitrage + operational enhancements. See attached article for more deal-by-deal

insights.

- Having trusted accounting and legal advisors who know this type of deal matters.

John Koeppel's commentary on "Why some investors are dumping funds for deal-by-deal opportunities" by Samuel Hieber (January 30, 2026) for *Acquinox.*