



# FROM ONE-OFF TO REPEAT BACKER: HOW INDEPENDENT SPONSORS BUILD LONG-TERM CAPITAL RELATIONSHIPS

THE DYNAMICS THAT TURN A  
SINGLE DEAL INTO A DURABLE  
CAPITAL PARTNERSHIP

# EXECUTIVE SUMMARY

The most important capital relationship an Independent Sponsor has is the one they are building right now: not the one they are asking for. The market for capital in the IS ecosystem is becoming more competitive and more sophisticated simultaneously. Family offices and institutional investors who back Independent Sponsors deal-by-deal have seen enough transactions to calibrate quickly. The sponsors who continue to attract capital on favorable terms are the ones who have invested in those relationships between deals, not just during them.

McGuireWoods' 2025 Independent Sponsor Conference produced a clear statement on this dynamic: as capital tightens and investor expectations climb, strong sponsor-capital provider relationships are often the deciding factor in whether deals get done. Long-term partnership dynamics: not just terms: drive outcomes. Building a successful long-term relationship extends far beyond legal terms, with key elements including trust, transparency, and consistency across deals and cycles.

Citrin Cooperman's 2025 Independent Sponsor Report found that family offices remain the dominant capital source overall, cited by 62 percent of Independent Sponsor respondents. That dominance reflects the structural appeal of the IS model to family offices: they get deal-by-deal visibility, full transparency into each transaction, and a direct relationship with the sponsor. That same structure means the relationship is highly personal: and personal relationships compound in either direction.



# THE MARKET FOR IS CAPITAL IS DEEPENING

The IS capital ecosystem has expanded meaningfully. L.P. Legal's Q2 2025 Independent Sponsor Update noted that for LPs looking to allocate capital to lower middle market opportunities, Independent Sponsor-led transactions have become a great and increasingly preferred alternative to traditional private equity funds. The report cited an ever-growing ecosystem of investors specifically focused on Independent Sponsors, including GEM which closed an over \$450 million fund specifically for Independent Sponsor deals.

That deepening ecosystem is good news for the IS model overall, but it also means that competition for the best capital relationships: partners who are fast, flexible, and aligned: is real. McGuireWoods' conference insights emphasize that the key to building durable capital partnerships is not assuming there is a one-size-fits-all approach. Each capital provider has different needs around targeted hold periods, sector focus, check size, investor return expectations, and the investment decision process. Sponsors who take the time to understand and address those needs specifically earn a different kind of commitment than sponsors who simply circulate CIMs.





# WHAT REPEAT BACKERS ACTUALLY LOOK FOR

Capital providers who have backed an Independent Sponsor once and come back for a second deal are not making the same bet twice. They are extending a judgment that the sponsor's model, discipline, and communication have earned continued confidence. That judgment forms in the gap between deals: in how the sponsor handled the first portfolio company, what updates they sent, how they managed a challenge, and whether the sponsor reached out proactively or only when there was something to ask for.

Bite Investments' December 2025 analysis of the evolving investor landscape cited a CSC survey of 150 LPs in C-suite roles that found the top three LP priorities are operational transparency, regulatory compliance, and technology infrastructure. In the IS context, operational transparency means keeping capital partners genuinely informed about how their portfolio company is performing: including when performance is behind plan. Sponsors who do that consistently are building the trust that repeat commitments require.

The Verivend analysis of Independent Sponsor capital stacks, drawing on Citrin Cooperman's 2025 data, makes the point from the capital provider's side: success depends not just on sourcing attractive companies, but also on structuring capital stacks that align equity and debt thoughtfully, while ensuring economic reward to sponsors for performance. Sponsors who treat capital partners as genuine partners in both the economics and the information flow create the conditions for repeat backing.

# BUILDING RELATIONSHIPS BETWEEN DEALS

The most effective way to build a repeat capital relationship is to maintain an active one between transactions. That means sharing deal flow: not just to raise capital but to demonstrate sourcing activity and investment judgment. It means sending deal memos on opportunities that were passed on, with an explanation of why. It means providing portfolio updates on a predictable schedule, not just when the news is good.

McGuireWoods' conference data noted that alignment on core expectations: targeted hold periods, sector focus, check size: must be established upfront, but the relationship is sustained through consistent behavior across cycles. Capital providers who trust a sponsor's judgment and communication will prioritize their deals in a competitive environment. That prioritization is worth more than any individual fee negotiation.

# WHAT ACTUALLY MATTERS NOW

## 01

Establish a regular communication cadence with capital partners between deals: not just during capital raises. Quarterly updates on portfolio performance and deal flow maintain engagement and build trust.

## 02

Personalize capital partner relationships. Different investors have different priorities; understanding those differences explicitly and addressing them directly earns a different level of commitment.

## 03

Share the bad news as well as the good. Capital partners who hear about portfolio challenges from a sponsor before they hear from the market calibrate trust accordingly.

## 04

Treat the first deal with a new capital partner as an audition for the second. The criteria are behavioral: communication, honesty, execution, and respect for the relationship.

McGuireWoods, Key Takeaways from McGuireWoods' 2025 Independent Sponsor Conference, published December 2025.

Citrin Cooperman, 2025 Independent Sponsor Report, published September 2025.

L.P. Legal, Independent Sponsor Update: Key Takeaways from Q2 2025, published August 2025.

Bite Investments, The 2025 Investor Shift: What It Means for Private Capital Managers in 2026, published December 2025.

Verivend, The Capital Stack for Independent Sponsors: Best Practices, Norms, and Considerations, published October 2025.

McGuireWoods, Independent Sponsor Capital Raising in 2026: Getting to Yes in a Challenging Market, published January 2026.

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