Revelation Partners

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Unlocking Capital to Keep Healthcare GPs in the Game

Flexible Solutions in a Constrained Liquidity Environment

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Fund managers across the private healthcare market landscape are facing a growing disconnect between opportunity and access to capital. Many have conviction in their portfolios and see clear paths to value creation but are unable to act due to limited reserves, slower realizations, and a more constrained fundraising environment.

Healthcare market conditions have shifted sharply. IPO and M&A activity remain muted, extending the hold periods for private healthcare companies and increasing their capital requirements. Healthcare GPs are being asked to do more with less: to support companies through additional rounds, lead financings, or navigate recapitalizations, all while DPI remains insufficient to unlock new capital from LPs.

This Paper Explores

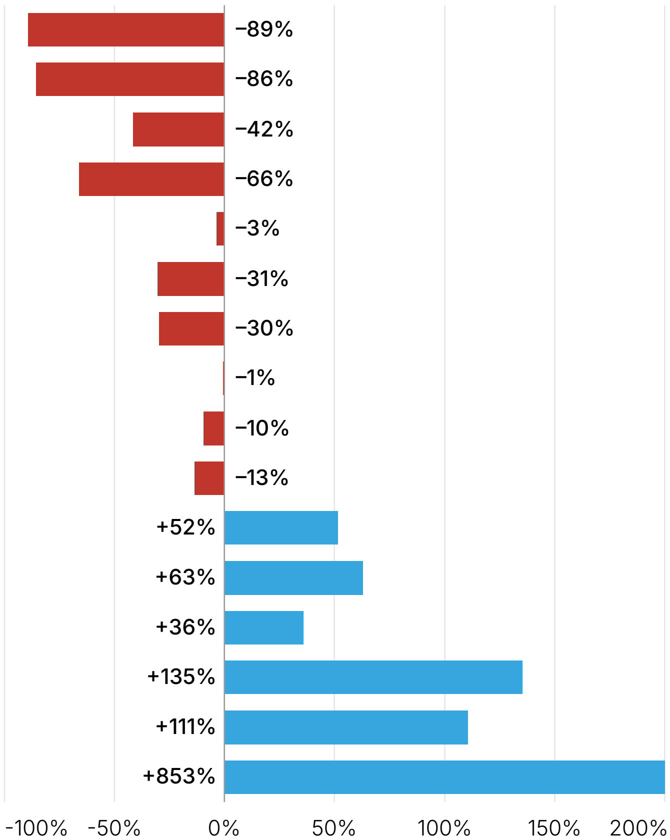
1. The capital constraints healthcare GPs are facing today
2. The ways that new capital can be used to protect and enhance value
3. Flexible investment structures Revelation offers to support healthcare GPs without requiring a new fundraise

Our goal is to help healthcare managers keep moving forward by providing the capital to match their conviction.

The Healthcare Capital Gap

The traditional liquidity cycle has broken down. The healthcare IPO market has kept last year's pace with notable offerings including Hinge, Omada, Kestra, Carlsmed, and others; however, it is an increasingly fragile window as few have performed well since pricing. Healthcare M&A activity has regained momentum in healthcare technology and services sectors but remains muted in biopharma, devices, tools and diagnostics.

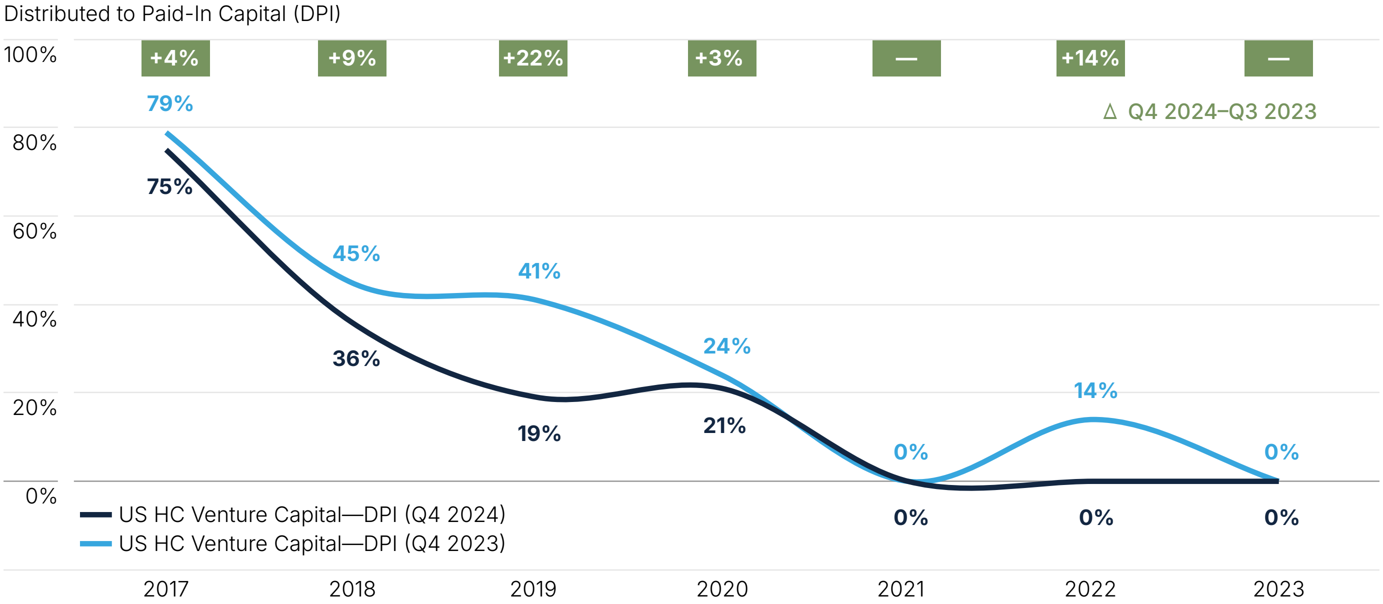
Figure 1: 2025 Healthcare YTD IPO Performance Since Pricing (S&P Adjusted)



Source: Pitchbook data as of 6/30/2025.

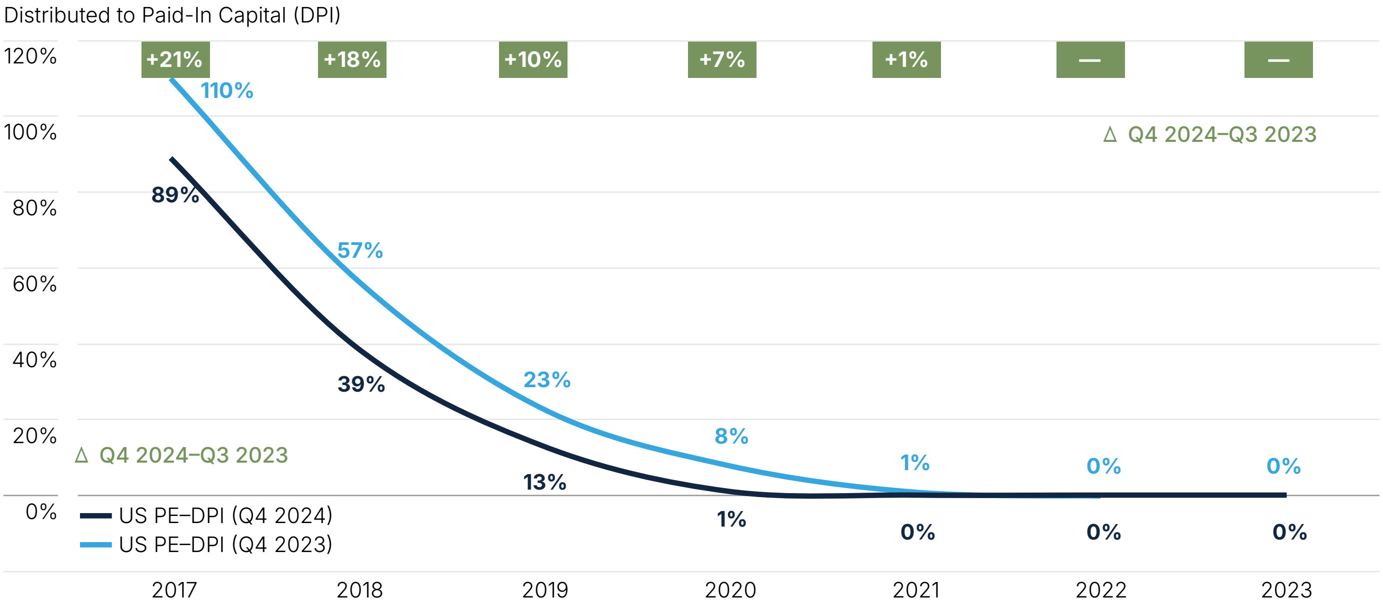
Thus, in most healthcare sectors private companies are staying independent longer and requiring more capital than most funds had reserved for. This has led to meaningful stagnation in DPI for healthcare GPs in both venture and private equity, as the following charts illustrate.

Figure 2: U.S. Healthcare Venture Capital—Median DPI Across Vintages



Source: Cambridge Associates Venture Capital Benchmarks as of Q4 2023 and Q4 2024.

Figure 3: U.S. Healthcare Private Equity—Median DPI Across Vintages



Source: Cambridge Associates Private Equity Benchmarks as of Q4 2023 and Q4 2024.

With limited distributions, healthcare LP fundraising is on track for the lowest amount closed in more than 10 years. US healthcare VC fundraising totaled $5 billion in the first half and is tracking to $9 billion in 2025, which represents a 60% plunge from $23 billion in 2024 (see Figure 4 below).

While we have seen this issue play out among all types of GPs, the problem has been most acute with emerging healthcare managers. Emerging managers—defined here as those on their first or second institutional fund—are most lacking in the reserve capital, legacy DPI, and fund-raising momentum to navigate this prolonged capital cycle. As our prior white paper illustrates, the situation is particularly bleak for emerging managers in the health-care sector, who raised only 30% of the $38B of health-care PE and VC capital raised in 2023 versus 60% average share from 2012–2021. Many of these managers:

- Reserved for shorter hold periods or fewer follow-ons;
- Have limited DPI to anchor a Fund II or Fund III raise;
- Face greater scrutiny from LPs reluctant to re-under-write emerging strategies in a low-liquidity environment.

The result is a growing class of healthcare GPs who have conviction in their best companies but lack the capital to defend or double down—undermining both potential fund outcomes and future fundraising prospects.

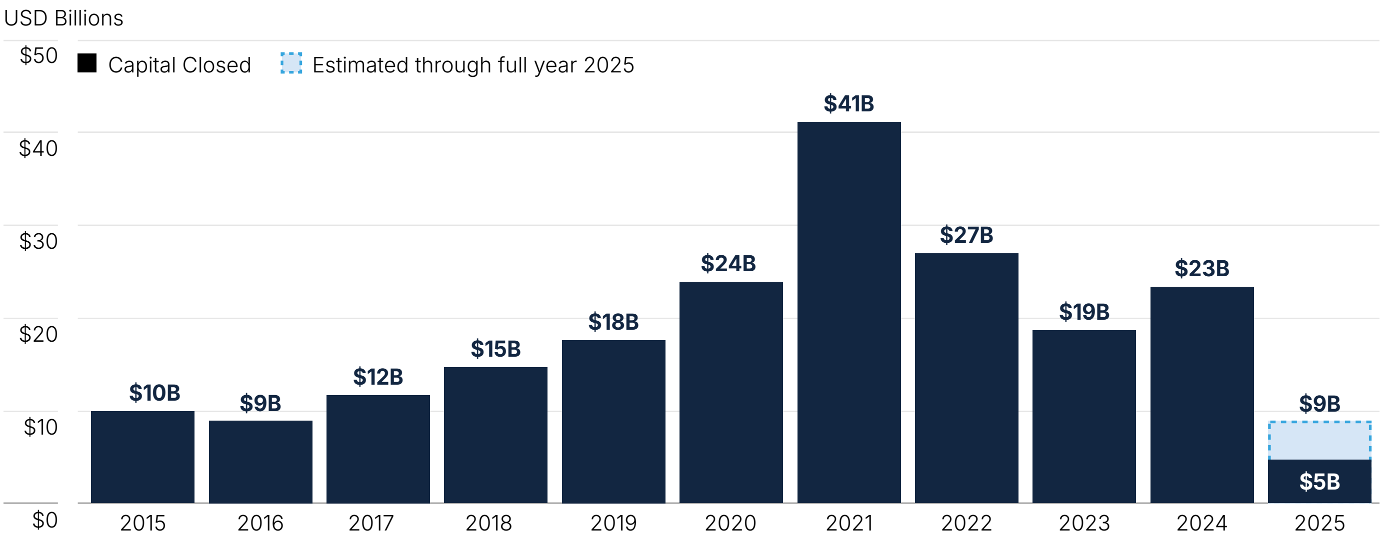
The Cost of Inaction

The risks of undercapitalization are both immediate and compounding:

- Loss of ownership due to dilutive recapitalizations;
- Missed lead opportunities in competitive financings;
- Strained LP relationships and reduced visibility into DPI;
- Lower carry realization, even in otherwise strong portfolios.

This bottleneck is not just a temporary constraint—it's a structural challenge that threatens to limit long-term outcomes for high-quality managers. Revelation believes targeted capital solutions can provide a way through.

Figure 4: U.S. Healthcare VC Fundraising 2015–2025



Source: SVB Healthcare Investments and Exits Report H1-2025.

Strategic Uses of Capital: Defend, Participate, or Lead

Healthcare GPs often know exactly how they would deploy incremental capital—if they had access to it. The use cases typically fall into two categories: defending the value of existing positions or leaning into opportunities with conviction.

Defensive Use Cases

In today's environment, defensive capital can be the difference between preserving ownership and getting materially diluted. Common scenarios include:

- Avoiding a pay-to-play or recap financing where the GP does not have reserves to participate;
- Bridging a capital shortfall for a portfolio company that may otherwise need to accept suboptimal terms;
- Protecting the pro rata in a follow-on where ownership is central to a fund's return profile.

This type of capital is not just reactive, it's value-preserving. It allows managers to stabilize salient assets and maintain position sizes in companies they've already diligenced and backed.

Offensive Use Cases

In some cases, the capital constraint is not about protecting downside—it's about missing upside. Revelation has worked with managers who had high-conviction opportunities but lacked the capital to act. This includes:

- Doubling down on outperformers by participating in or leading an upcoming financing;
- Funding add-on acquisitions for a portfolio company with inorganic growth potential;
- Backing a new investment where the GP has deep sector expertise but no remaining dry powder.

These use cases are especially compelling in the current market, where strong companies are still raising, but often with less competition and more favorable terms for those who can act.

The Key: Flexibility

Each of these situations is unique. Revelation's approach is designed to provide capital that meets the GP's specific needs, whether that means supporting a single asset, multiple companies, or new investments altogether. In the next section, we outline the investment structures that make this flexibility possible.

Uses of Capital

Defensive

- Avoiding pay to play or recap
- Bridging to company's next round
- Protecting pro rata

Offensive

- Doubling down on outperformers
- Funding add-on acquisitions
- Backing a new investment

Revelation Partners Solutions

Entering an Existing Fund

- Revelation can enter pari passu with existing LPs, or with preferred return economics

Creating a New Fund

Examples:

- Opportunity Fund
- Bridge Fund
- Continuation Fund

Revelation Partners Investment Structures—Flexible Capital, Tailored Format

Revelation structures capital to match the needs of both the manager and the moment. We primarily provide funding through two formats: by participating in an existing fund or by helping launch a new vehicle. Both approaches are designed to be collaborative and highly adaptable.

1. Entering an Existing Fund

Revelation can enter a manager's current fund either as a standard LP or a preferred LP. This structure is typically suitable when:

- The GP retains unfunded reserves but needs incremental capital to support high-conviction investments;
- LPAC approval is attainable, and existing fund terms provide a workable foundation.

Key Characteristics & Considerations:

- Revelation enters as a new LP, typically requiring LPAC consent;
- Terms can be pari passu with existing LPs or structured with preferred return economics depending on the use of funds and timing;
- Capital can be earmarked for specific follow-ons or deployed flexibly across the remaining portfolio;
- This mechanism preserves the continuity of the existing fund and aligns with its original investment mandate.

2. Launching a New Vehicle

In many cases, it may be more appropriate—or more feasible—for the GP to raise capital through a new vehicle rather than amend an existing fund. New vehicles can be tailored to specific objectives such as supporting follow-ons, preserving deal momentum, or extending hold periods for strong assets. They offer structural flexibility while preserving alignment between the GP and incoming capital providers.

Key Considerations:

- New vehicles can be purpose-built around one or more assets, allowing for clear targeting of capital and governance.
- These vehicles are often attractive to both existing LPs and new partners like Revelation, depending on the fund design and opportunity set. Existing LPs can choose to roll or cash out.
- They can provide a path to act decisively without needing to wait for a full fundraise or overhaul legacy structures.

Common Formats Include:

- Opportunity Funds—Dedicated to follow-on investments in existing portfolio companies. These are typically used when a GP has conviction in specific assets but lacks sufficient reserves. Opportunity funds may be offered to existing LPs (with or without fees) and can be anchored by new investors such as Revelation.
- Continuation Funds—Designed to extend the life of one or more portfolio companies by transferring them from an existing fund into a new vehicle. These allow the GP to realize carry, give existing LPs optionality (to roll or cash out), and bring in new capital to continue value creation.
- Bridge Funds—Used to fund new investments or select follow-ons outside the scope or capacity of an existing fund. They are particularly useful for maintaining deal momentum while a GP prepares for a future raise.

These and other formats can be customized to reflect the GP's objectives, investor dynamics, and portfolio construction goals. Revelation works closely with managers to determine which structure best fits the situation, then builds a vehicle with the appropriate economic terms, governance rights, and capital flexibility.

Conclusion

GPs today are navigating a market that demands more capital, more patience, and more precision than ever before. The challenge is not a lack of opportunity—it's the growing gap between conviction and capital. Managers see where they want to go. Too often, they just can't get there.

Revelation exists to close that gap. Our capital is designed for managers who know what they want to back, but need flexible, reliable support to act. We work with GPs to build structures that fit their needs, whether that means stepping into an existing fund, launching a new vehicle, or helping them stay in the game during a critical moment.

The current environment favors managers who can move decisively when the right opportunity appears. Revelation Partners is here to help them do exactly that.

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Revelation Partners

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