

Kline Hill, Cendana fund 50% deployed, buoyed by broad VC secondaries opportunity set

16 Jul 2026 | 14:40 CDT | United States | Finance-Acquisitions/Restructurings



Proprietary

by [Tom Cane](#)

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- Kline Hill Cendana Partners II closed on USD 400m in April
 - Invests in LP-led and GP-led deals, direct secondaries
 - AI disruption, space innovation among themes driving interest
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Kline Hill Partners and Cendana Capital have deployed more than half of their second VC secondaries fund just three months after the final close, according to Chris Bull, a managing director at Kline Hill.

"We're seeing a lot of LPs who haven't seen much liquidity from their portfolios looking to generate liquidity," Bull told *Mergermarket*, noting significant deal flow across LP-led and GP-led transactions and direct secondaries. "On the company side, we're seeing a broader range of opportunities as well."

Kline Hill Cendana Partners II closed above target on USD 400m in April. The fund typically writes checks of USD 10m or less, though the range is much wider, spanning sub-USD 1m single company positions through to LP portfolios requiring USD 50m or more.

While the strategy is opportunistic, Bull expects a portfolio split of roughly 50% LP positions and 50% "everything else," primarily secondary stakes directly in companies. Regardless of deal type, the firm believes it is benefiting from a VC ecosystem that continues to grapple with muted exit activity.

On the LP-led side, much of the supply comprises older funds. Bull described two main sources: "motivated sellers" that simply need liquidity and "portfolio-management sellers" that want to trim positions, rebalance exposure or reallocate capital from legacy VC investments into new opportunities.

Transaction volume tends to track quarterly reporting cycles with a quarter-end peak as investors seek to complete portfolio sales before valuation reporting dates.

GP-led deals are on the rise thanks to increased awareness and utilization of continuation vehicles (CVs). For example, Kline Hill reportedly recently led a single-asset CV of more than USD 200m for Plaza Ventures-backed digital advertising business StackAdapt.

Bull declined to comment on specific deals, but he concurred that CVs are increasingly commonplace “with advisors becoming more capable of navigating those transactions.”

The direct secondaries opportunity is often illustrated through the flood of capital into elite club of high-profile pre-IPO names, led by SpaceX before its listing last month. These deals have absorbed a sizeable amount of available liquidity, but the addressable landscape is much wider – and becoming more so – as VC-backed businesses remain private for longer.

At the same time, the historical stigma around founders and early executives taking liquidity has continued to diminish. Companies are increasingly facilitating liquidity opportunities for employees through structured secondary programs and tender offers.

Kline Hill aims to get in early at a more attractive valuation point, which Bull contrasts with a wider market preference for assets that are closer to liquidity events.

Picks and shovels

Across the market, artificial intelligence (AI)-related disruption – and the impact on valuations – remains a predominant theme. Kline Hill looks for situations where public market sentiment may have depressed valuations, but the underlying business remains fundamentally strong. However, some of the more obvious opportunities may have already slipped away.

"A lot of people are looking at bottlenecks in the AI ecosystem and thinking about how to invest ahead of them," Bull said. "That's something we pursued early, but there's now widespread interest in those areas."

As a result, the firm prioritizes businesses that are positioned for longer-term growth amid ongoing technological transformation. These are not just pure AI players but also the picks-and-shovels companies that provide the tools and infrastructure that enable future growth.

Space is another area of interest. While SpaceX has dominated headlines, Bull points to a broader opportunity set that is only in the early innings.

"There are a handful of companies we've invested in, directly and indirectly, that we think are likely long-term beneficiaries of both the current and future interest in the industry – interest that SpaceX has done a great job cultivating," he said.

The strategy draws on a dedicated investment team of roughly five professionals. Greenwich, Connecticut-based Kline Hill, has 75 employees active across the secondaries market, while San Francisco-based Cendana has 13 staff and is invested in over 200 VC funds.

In terms of deal sourcing, the VC strategy combines incoming deal flow with proactive outreach to LPs, GPs and companies.

"Sourcing is the lifeblood," Bull said. "We want to make sure we're not only reacting to the best things that are coming in the door, but also going out and finding the right companies."

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