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Secondaries

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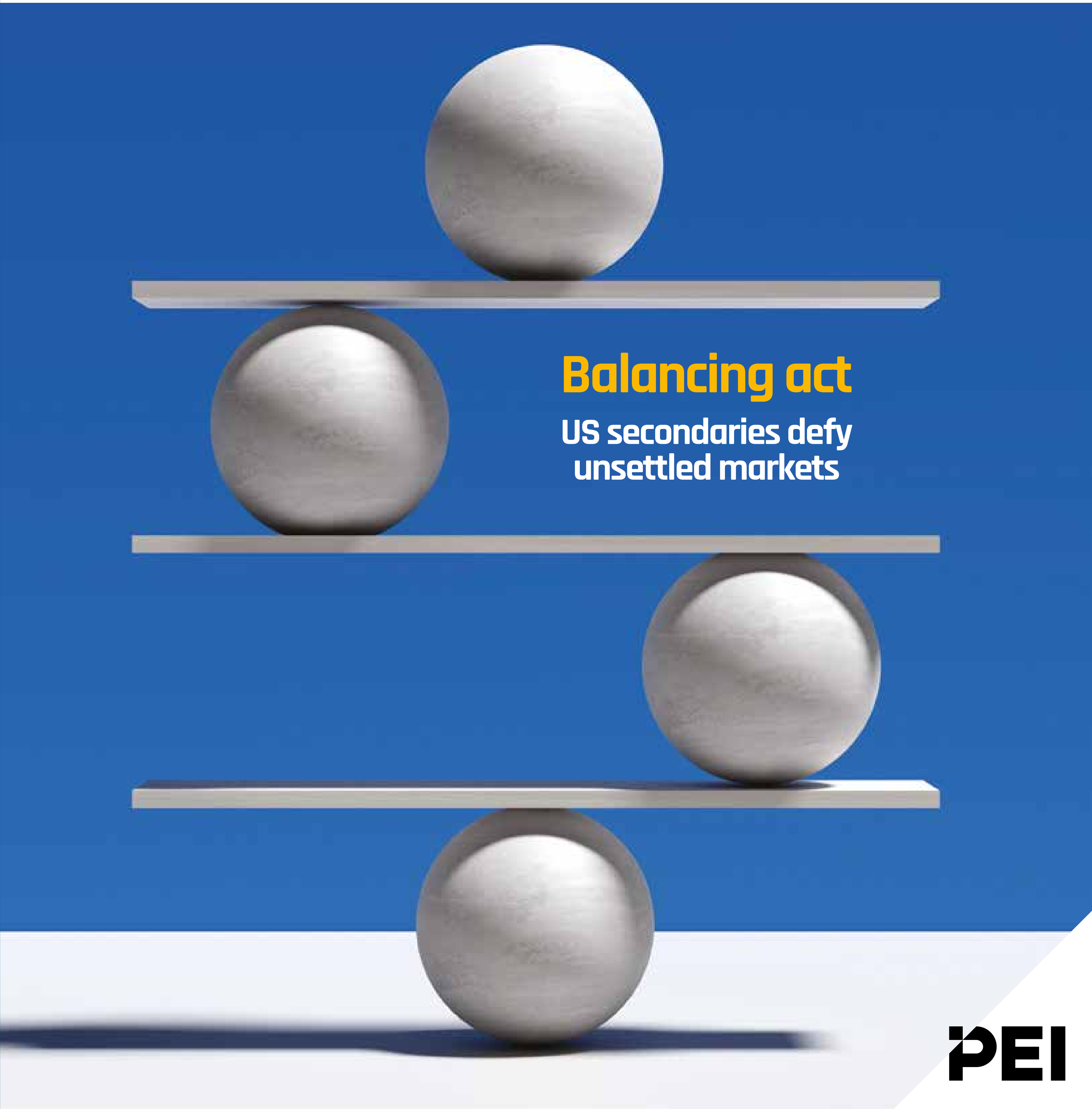

Balancing act

US secondaries defy unsettled markets

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Buyouts

Secondaries

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Editor's letter

Bullish on secondaries amid market volatility

Natalie Novakova
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After a record-breaking year for secondaries marked by a 40 percent year-on-year surge in global deal volume, investor optimism surrounding the secondaries market is evident not only in the US, but globally. What was once a niche corner of private markets now sits front and center, with forecasts predicting the market could race to $200 billion by 2025 – five times its transaction volume just a decade ago.

This rapid growth is fueled by a confluence of factors: LPs' overallocation to private equity, GPs seeking liquidity solutions and rising demand for portfolio rebalancing. In the US, despite record fundraising, undercapitalization of the industry has opened the door to innovative GP-led solutions like direct secondaries and continuation vehicles – unlocking liquidity for high-performing assets.

"What was once a niche corner of private markets now sits front and center"

As the market matures, new capital sources and technologies, including artificial intelligence, are driving greater specialization within secondaries. Strategies such as mid-market secondaries continue to perform well. Meanwhile, themes like private credit, infrastructure and real asset secondaries are also gaining traction.

Yet despite the prevailing optimism, challenges persist. Volatility triggered by global trade tensions and endowment sales has made some investors grow cautious. Still, the asset class's ability to adapt is clear, with firms evolving creative ways to navigate uncertainty and stand out in a competitive landscape.

At PEI Group's NEXUS event in Orlando in March, secondaries dominated the conversation with luminaries such as Jeremy Coller, Yann Robard, Vlad Colas, and Holcombe Green sharing their outlook on where the market is heading.

Whether 2025 sets a new record will depend on how well the industry manages volatility to seize opportunities, but one thing is clear: developments in secondaries are reshaping private markets, and participants think this is not a bad thing.

Natalie Novakova

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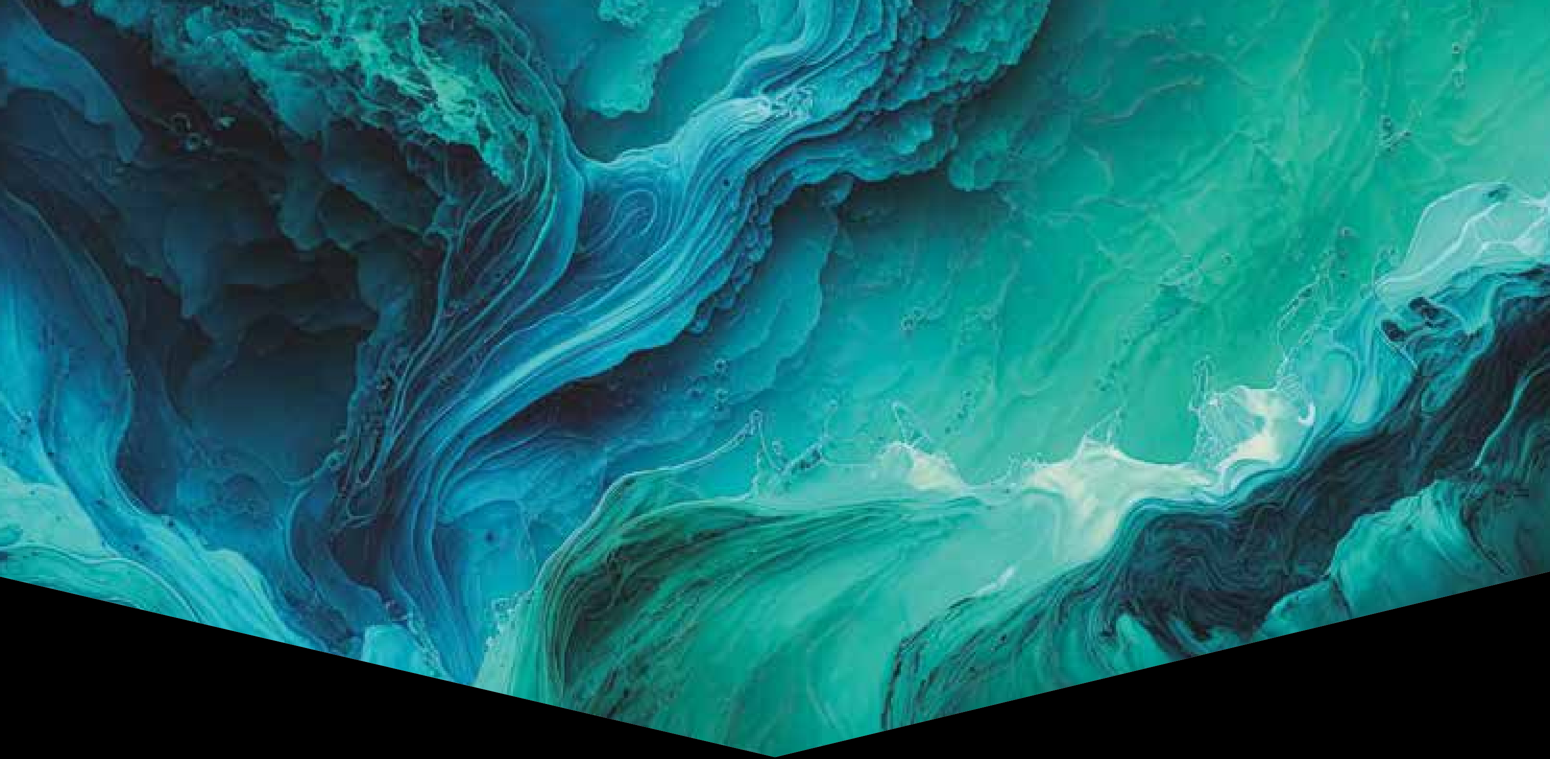


Insight

Key trends

Secondaries hold steady amid tariff turmoil

The secondaries market entered 2025 in rude health – and it remains relatively hale despite some of the upsets experienced elsewhere, ***writes James Sutton***.

Indeed, transaction volumes in secondaries clocked in at $160 billion for 2024, according to Evercore's *FY 2024 Secondary Market Review*. That figure was up significantly from 2023's $114 billion total and even beat the previous record of $134 billion from 2021.

Of that $160 billion sum, $89 billion came on the LP-led side, driven by rising selling appetite among a diverse range of LPs – including pension funds, asset managers, funds of funds and family offices – and also the rise of '40 Act funds targeting individual investors. The remaining $71 billion came from GP-leds, fueled by booming buyside capital and the increasing adoption of continuation funds.

Another major milestone came in January this year, when Paris-based Ardian closed its 2022-vintage secondaries fund, ASF IX, on $30 billion. Secondaries pioneer Jeremy Coller had long predicted that a secondaries fund would one day be larger than the world's biggest buyout fund. That prediction has now come to pass.

Of course, the world has changed a lot since January. And while the secondaries market has been somewhat insulated from the worst of the tariff-related shocks, the impact on sentiment is undeniable. Greater caution has been creeping in across the board, with plenty of LPs pausing on their allocation decisions. So, where does this leave secondaries for the rest of 2025? Can 2024's strong run continue?

1 Fundraising defies the odds

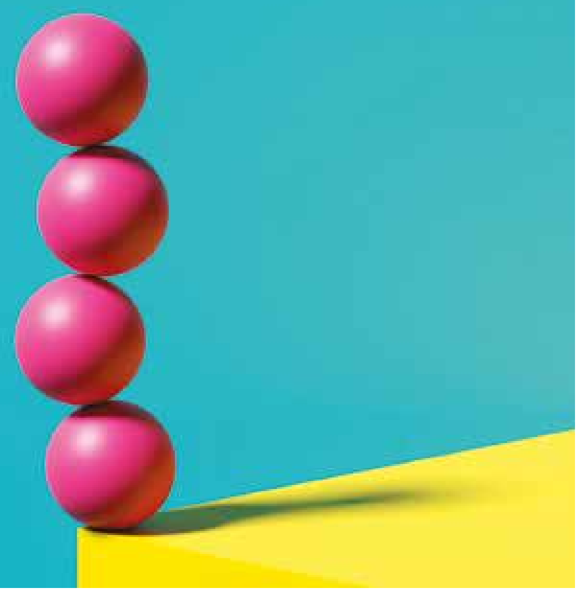
When it comes to fundraising, secondaries funds have generally fared better in recent years than the rest of the private markets universe. Whereas funds in other asset classes have struggled to attract LP commitments – and have ended up spending longer in market as a result – secondaries have broadly continued to attract record sums. More recently, they have even managed to overcome the slight dip in fundraising that they experienced at the end of 2024.

According to data from the affiliate title *Secondaries Investor*, as of the end of Q3 2024, fundraising across all varieties of secondaries funds was on track to match the previous year's record of $118.9 billion. A slight loss of momentum in the fourth quarter, however, saw fundraising round out the year at $92 billion instead.

News of ASF IX's huge fundraise got 2025 off to a better start though, with that $30 billion sum doing much of the heavy lifting in taking secondaries fundraising to $50 billion as of the end of the first quarter.

Another boon for secondaries comes in the form of significant quantities of dry powder. Baird estimates that there is $191 billion awaiting deployment from secondaries funds, while Evercore pins the total at $216 billion. Baird even notes that these figures likely underestimate the "difficult-to-measure 'shadow demand' from diverse capital sources such as sovereign wealth funds, insurance companies, family offices and even traditional buyout funds."

On top of that, the rise of retail capital in the secondaries market further adds to the dry powder capacity, Evercore notes.



> “You will probably see a smaller number of deals actually get closed because the discounts are wider”
>
> Keith Brittain
> Hamilton Lane

What these various reported figures do not account for, either, is the growing pool of evergreen capital being raised to deploy into the secondaries market. An Evercore report from last year, seen by *Secondaries Investor*, noted secondaries buyers had raised around $62 billion via '40 Act funds as of October 2024, and could raise another $12 billion-$15 billion over the next 12 months.

All told, then, there is plenty of capital around for secondaries funds to take advantage of – and plenty of interest in these strategies right across the sponsor spectrum. That should be sufficient to keep the secondaries market buoyant throughout the rest of 2025, even if private markets generally experience a further fundraising drought.

2 Tariffs prompt caution, not panic

One of the main factors in secondaries' favor right now is that they sit at a remove from both the public markets and PE primaries. This has served to insulate secondaries from the worst of the shock caused by the Trump administration's trade wars.

Even so, many secondaries' specialists are proceeding with caution at the moment, often making decisions on a case-by-case basis on GP-led processes currently out in the market, for example.

One buyer *Secondaries Investor* spoke with on the condition of anonymity said they were looking at a continuation fund for a business operating within a sector that has seen some impact from the tariffs. "Great sponsor, a great company, perfect size for us – but this uncertainty… is something [that is] really hard [to] diligence," they said.

Meanwhile, Ben Perl, global co-head of secondaries private equity at Neuberger Berman, explained that the firm is going "full steam ahead" on leading a continuation fund for a US-based non-discretionary business with no international trade and no direct impact from the tariff announcements.

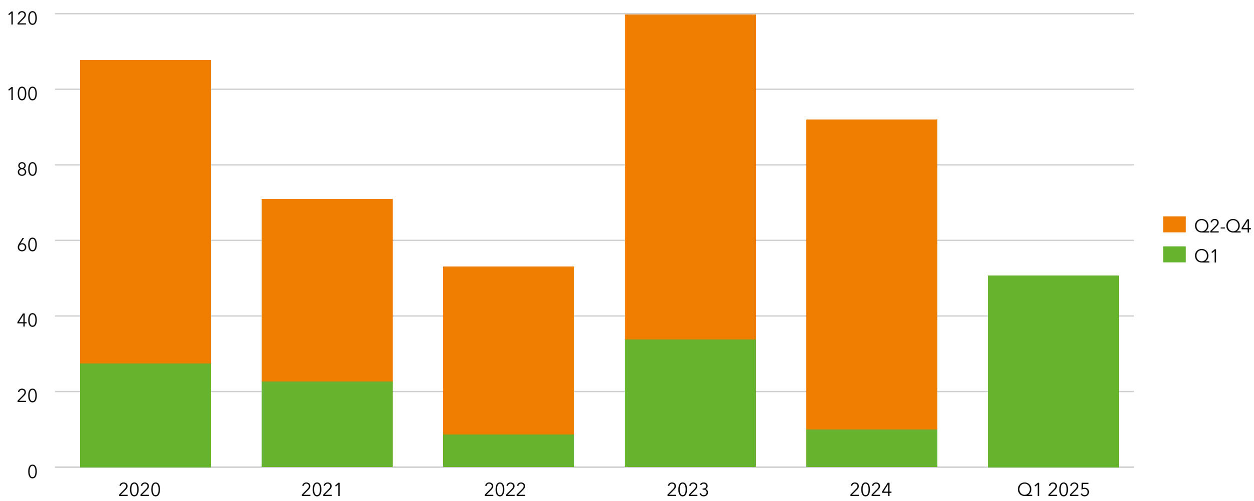
Indeed, while deals for businesses with global supply chains seem to be on shaky ground, domestically focused businesses in sectors such as software and healthcare could be attractive to buyers right now.

On a different transaction, however, Neuberger Berman has also agreed with another GP that it needs more time – 90 to 180 days – to assess the tariffs' impact on the underlying company.

"At that point in time, either we'll be willing to move forward on the terms we spoke about, or [they will] understand a need to reprice that transaction," Perl said. "It'll be very case-specific, but at a high level, this does throw a monkey wrench in a lot of situations."

While the tariff uncertainty will have an impact on secondaries pricing, Nigel Dawn, global head of private capital advisory group at Evercore, believes there will likely be less impact for a single-asset continuation fund compared with LP-led transactions involving a range of underlying companies. "Could it be a little discount from what it was before? Yes, because

Year-on-year fundraising (capital raised, $bn)



Source: Secondaries Investor

Median returns for continuation and secondaries funds come in at 1.4x, modestly outperforming buyout vehicles

Fund type	First quartile (x)	Median (x)	Third quartile (x)
Continuation funds	1.8	1.4	1.2
Secondary funds	1.6	1.4	1.3
Buyout funds	1.6	1.3	1.1

Source: Morgan Stanley Private Capital Advisory

> “This [uncertainty] does throw a monkey wrench in a lot of situations”
>
> Ben Perl
> Neuberger Berman

the environment’s changed and probably the cost of capital has changed, but still – good companies are good companies.” Pricing is undoubtedly key on the LP-led side.

Some LPs are reportedly seeking to sell up in an effort to manage their private markets portfolios, leading to a record level of LP-led deals in the first quarter, according to Evercore’s Dawn. But most are holding steady in the face of pricing fluctuations.

“If you are a seller of private equity positions, you will likely get a lower price than you would have a month ago,” Keith Brittain, co-head of secondary investments at Hamilton Lane, told *Secondaries Investor*. “You will probably see a smaller number of deals actually get closed because the discounts are wider.”

Solid performance

For those holding steady in secondaries through this period of uncertainty, there’s good news to be found in these funds’ performance figures.

A recent update to a 2024 report from Morgan Stanley Private Capital Advisory found that, between 2018 and 2024, the median net multiple on invested capital (MOIC) for secondaries funds came in at 1.4x. That’s in line with the median MOIC of continuation funds specifically (also 1.4x) and marginally higher than that of buyout funds (1.3x).

The report also found that secondaries funds typically achieve a higher median return in aggregate and also by each vintage year, relative to buyouts.

Digging deeper, single-asset continuation funds were found to be slightly less likely to outperform than multi-asset continuation funds, producing a median MOIC of 1.4x, just below multi-asset continuation funds’ 1.5x. It’s evidence, perhaps, of single-asset deals still carrying a higher risk premium, even at a time when risk is appearing to mount right across the investment landscape. ■

KEYNOTE INTERVIEW

The secondary blueprint for sponsors

Continuation vehicles remain useful in end-of-life scenarios, but for mid-life investments, direct secondaries may be a more effective solution, say W Capital's Todd Miller and David Wachter

Q Direct secondaries saw faster growth than continuation vehicles in 2024. What are these transactions, and where do they fit in the GP-led landscape?

Todd Miller: Both direct secondaries and CVs fall under the broader umbrella of what we call GP solutions. A direct secondary deal involves a firm like W Capital investing directly onto the cap table of an underlying portfolio company, typically through a minority recap or the purchase of a minority stake from a control sponsor seeking partial liquidity. These deals allow the control sponsors to generate liquidity,

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validate valuations and retain control of the business and exit timing. They also allow the control sponsor to partner with an investor who is comfortable with the prospect of a shorter duration investment.

Direct secondary solutions can also provide liquidity to existing minority investors, support add-on M&A or purchase rollover equity from former control sponsors. In contrast, CVs are typically used at the end of a fund's life to extend the hold of a compelling asset.

Ultimately, both approaches unlock liquidity for well performing assets. The rapid growth of both direct secondaries and CVs highlights the importance of offering a diverse set of liquidity solutions. Sponsors are becoming increasingly strategic in selecting the right structure for each situation, which has driven significant growth across GP-led secondaries.

Q What's fueling the growing demand for GP-led solutions?

David Wachter: The data speaks volumes. Illiquidity is not a new problem, but it's a growing problem. When we started W Capital, there were roughly 5,000 private equity-backed companies, now there are more than 29,000. Annual exit volume has only grown modestly, from 1,000 to about 1,500, meaning the asset-to-exit overhang has expanded from five years to nearly 20.

At the same time, distributions have slowed dramatically. Funds that once reached a 1x DPI in seven years are now sitting at just 0.1x DPI by year five. IPOs and traditional M&A exits simply can't keep pace. The result is a much more persistent and structural need for liquidity, which direct secondaries and other GP-led solutions are helping address.

Q When should sponsors think about using a CV versus other GP-led solutions?

TM: CVs are an excellent tool when you have a duration mismatch, typically toward the end of the fund's life. But when you are working with a well performing asset in years three to five, a direct secondary or minority recap is often a better fit.

We are increasingly hearing LPs voice concerns about CVs being used in mid-life situations where duration isn't the true constraint. In those cases, direct share sales or minority recaps tend to be the cleaner and more aligned option. Put simply: for mid-life assets, consider direct secondaries and minority recaps; for end-of-fund life scenarios with real duration constraints, CVs might be the better fit.

Q Will demand for GP secondaries solutions falter when more traditional exit routes rebound?

TM: I don't think so. Secondary liquidity has become a permanent part of the private equity toolkit. The traditional private equity model of simply holding an investment for five years and then selling has evolved. Sponsors are seeking interim liquidity and duration flexibility during holding periods, and the secondaries market facilitates that. Sponsors are using these tools not just in down markets but strategically across all cycles to actively manage liquidity, optimize fund returns and retain high-performing assets. We're also seeing firms build in-house capital markets teams and liquidity committees to lead these efforts. That's a clear sign this trend is structural rather than temporary.

Q We have seen a number of new entrants to the GP solutions space. What are your views on current competitive dynamics?

DW: There is no doubt the category is attracting attention, including from traditional buyout firms and LP secondaries platforms. But even with this increased activity, the market remains undercapitalized relative to demand. In 2023, GP-led secondaries (direct secondaries and CVs) totaled $90 billion according to Evercore Full Year 2024 Secondary Market survey results. In 2024, that number rose to $133 billion, with minority recaps and direct secondaries growth outpacing CVs. That growth creates room for both new entrants and continued innovation.

Q How are managers differentiating themselves in this increasingly crowded market?

DW: We are seeing continued specialization. Some managers focus on LP secondaries, others combine LP and GP-led deals. There are also buyout funds that have entered the CV space.

At W Capital, our focus has always been on capital solutions aligned with the GP. Whether that's a direct secondary, minority recap, structured equity, or a CV, firms can differentiate themselves through access, structuring expertise, and flexibility in matching the right solution to the situation.

TM: We're also seeing the market, especially in secondaries, move toward working with partners who can act as turn-key providers. Our recent partnership significantly strengthens the ability of firms like ours to provide sponsors a single point of contact for their diverse liquidity and capital needs.

Q Given that this is such an undercapitalized market, what are the advantages that it offers for both institutional and private wealth investors?

DW: The secondaries market, especially GP solutions, offers a compelling return profile for investors. These transactions typically feature lower entry risk, reduced volatility, earlier cash-flows, and low loss ratios. That combination makes them highly attractive for both institutional investors seeking downside protection and private wealth investors looking for more efficient exposure to private equity.

Q How do you expect the GP solutions market to evolve?

DW: We believe we're still in the early stages of its development. The private equity industry has grown so large that traditional exit paths, IPOs and M&A, simply can't meet the liquidity needs of today's market. Sponsors need greater flexibility around both timing and capital, and a robust secondaries market is critical to making that possible. GP solutions will be an essential part of the industry's long-term infrastructure.

TM: I completely agree. The traditional PE firms that excel going forward won't just be great investors, they'll be proactive managers of liquidity. As more sponsors embrace secondaries as a strategic tool, the GP solutions space will continue to grow. The private equity buy-and-hold model has evolved. Interim liquidity planning is now a fundamental part of long-term value creation. ■

David Wacher is the founding partner and CEO, and Todd Miller is a partner at W Capital Partners, a specialist in GP solutions secondaries

A year in LP-leds

A round-up of how North American LPs have been approaching the secondaries market over the past 12 months

Orange County pension picks secondaries advisers
In a move that signals LP apprehension amid sluggish exit activity, Orange County Employees Retirement System named Raymond James, Evercore, Jefferies and Campbell Lutyens as advisers to have in reserve for potential future secondary market activity.

North Carolina eyes GP-led secondaries
North Carolina State Treasury enhanced its abilities in private equity, including potentially entering the secondaries market and engaging in co-investment opportunities. During its investment committee meeting, the Treasury's staff and consultants laid out a plan to increase its engagement in the secondaries market and boost executions of structured transactions.

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PA Schools pension sells $820m PE portfolio
Pennsylvania Public School Employees' Retirement System closed the sale of private equity fund stakes totaling $820 million in net asset value. The portfolio sale included full stakes in assets with vintages of 2013 and older, along with partial stakes in assets with vintages after 2013.

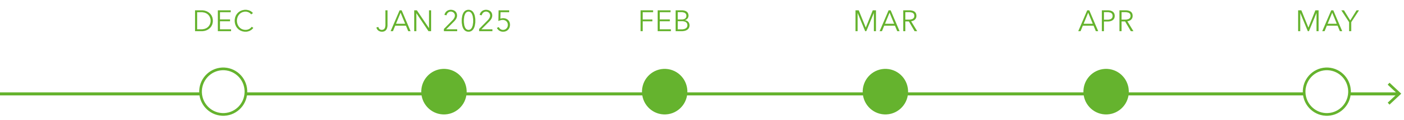
LACERA proposes guidelines to up allocation to co-investments, secondaries
Los Angeles County Employees' Retirement Association proposed an update to its private equity guidelines. Under the new guidelines, LACERA will be allowed to commit up to 35 percent of its private equity allocation to secondaries or co-investments, and up to 20 percent of the allocation to funds of funds.

CalPERS closes multi-billion-dollar sale

The California Public Employees' Retirement System, the US's biggest public pension, closed a multi-billion-dollar secondaries sale, reported affiliate title *Secondaries Investor*. Ardian, AlpInvest Partners and Partners Group were anchor investors in the transaction. The deal size was between $3 billion and $4 billion, according to two sources familiar with the transaction.

Federal threats prompt allocation rethink

Federal funding cuts are forcing university endowments, often consistent allocators to private equity, to re-examine their portfolios and liquidity positions. Yale University, for example, announced plans to sell up to $6 billion of PE positions on the secondaries market, in response to funding cuts.



CPP Investments returns with $1bn-plus portfolio

CPP Investments, the world's second largest investor in private equity, returned to the secondaries market with another LP-led process. The Canadian pension fund was selling a private equity portfolio valued between $1 billion and $1.1 billion, according to two sources familiar with the deal. Evercore advised on the transaction.

Offloading stakes becomes a top LP priority

An increasing number of LPs were expected to engage in the secondaries market, according to a survey from Adams Street Partners. As many as 40 percent of LPs identified selling assets as a top consideration in 2025, up from 36 percent last year. The rise was due in part to ongoing liquidity challenges, according to managing partner Jeff Diehl.

KEYNOTE INTERVIEW

An orderly adjustment


Buyers and sellers may be recalibrating to the recent volatility, but secondaries is a long-term adaptable asset class, say PJT Partners' Adrian Millan and Brenlen Jinkens

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Q How is the current macroeconomic and geopolitical volatility impacting LP-led secondaries dealflow?

Adrian Millan: Last year, there was $165 billion of secondaries deals completed, of which just under $90 billion involved the sale of LP portfolios. The expectation was that 2025 would be another record year. All the necessary ingredients for a healthy market appeared to be in place. We had a robust buyside fundraising environment bolstered by new entrants including retail capital, and liquidity continued to be constrained given that exits had yet to rebound to pre-covid levels.

In the first quarter, that optimism seemed to be warranted. We saw record levels of activity driven by a combination of programmatic sellers and some noteworthy new LP sellers, including a US pension plan that brought a $5 billion portfolio to market.

Recent volatility introduced by both tariffs and the potential for tax increases on US endowments has since created some uncertainty which has led to a bit of a pullback. We expect both of those phenomena to drive an increased LP volume in the future, but for the moment, the market is recalibrating as everyone tries to assess what impacts tariffs are likely to have on companies as well as on M&A and what that means for secondary buyers in terms of a new underwriting environment.

Brenlen Jinkens: There is also a clear bifurcation between those deals that were already in the market and those that were being contemplated. With respect to the latter, there has been a pause as everyone assesses the situation, very much in line with what we have seen in previous periods of volatility. That is not to say that those deals are going to disappear, just that they will be delayed for a period.

By contrast, deals that were already in the market continue to be priced. Yes, there is a sense that there is more risk, which is being reflected in that pricing, but we are certainly seeing deals being pushed through the current volatility. This is, after all, a long-term asset class. Buyers are making offers, and sellers are reviewing those offers. It all feels like an orderly adjustment.

There is no rush to sell and there is no immediate putting down of pencils. The market is continuing to function whilst absorbing the impact of what we have and will continue to see.

Q Have you seen pricing evolve up until this period of intense volatility and how do you see it evolving going forward?

BJ: If you look back to 2020 and 2021 when we were coming out of the pandemic, pricing rose strongly, especially for venture and growth assets. As we moved into 2022, there was some geopolitical turbulence which translated into market turbulence and pricing started to trend down. In 2023, the market moved sideways and then, from this time last year, we saw a very strong uptick in activity levels and pricing at near all-time highs.

The pricing environment right now is still good, it is just not as good as it was a quarter or two ago. Pricing has come down by several hundred basis points. Today, it is more akin to what we saw in late 2023 and early 2024 but it is better than the pricing environment we saw following the outbreak of war in Ukraine.

> *"There is still a huge capacity for growth in the secondaries market in general"*
>
> **ADRIAN MILLAN**

AM: The dynamics vary slightly by asset class. There are certain asset classes that are focused on longer dated cashflows, such as infrastructure, or more defensible cashflows, such as credit, that are proving more resilient through this period of volatility when compared to buyout or venture capital that may be more sensitive to the impacts of tariffs or that have higher levels of leverage. These asset classes are viewed differently in the medium to long term given that the exit horizon may need to be pushed out.

This very much dovetails with what we are seeing in terms of supply. Underwriting and pricing levels are slightly lower in these asset classes than initial expectations because we need NAVs to reset, and we need buyers to recalibrate. We expect volume to recover when those two things have happened, and the bid ask spread has started to close.

Q Are you seeing buyside appetite evolve at this time?

BJ: Buyers tend to have well-defined strategies. There are some that only do GP-leds and some that only buy LP portfolios, but most do a mixture of both. In terms of portfolio construction, they tend to focus on more diversified LP portfolios towards the

Q To what extent are you seeing the use of structured solutions to help align buyer and seller expectations?

AM: As we have seen in previous periods of volatility, buyers and advisers are turning to structure, or else changing portfolio composition, to thread the needle. For example, we have seen certain assets that are deemed to be particularly exposed to some of the new variables such as tariffs being removed from portfolios to maintain a pricing level. We have also seen the use of deferrals as a price gap mechanism.

In addition, we have seen the advent of more partial liquidity solutions such as preferred equity or other NAV-based products in lieu of an LP selling outright. In periods such as this, these partial liquidity solutions augment the solutions that are already available to LPs, meaning they have a choice beyond selling at a lower price. This helps the market to continue to function in situations where pricing has moved out of a range that a particular LP might view as transactable.

beginning of a fund's life, before layering in some concentration via GP-leds over time.

We are not seeing anyone change their strategy. What is clear though is that asset-by-asset due diligence on GP-leds can provide a clearer view on the implications of tariffs, for example, than may be the case with more diversified LP exposure. The recent volatility is also likely to delay a rebound in traditional exit routes such as IPOs and M&A, meaning there will be strong dealflow in the GP-led space. It is not quite business as usual as buyers are asking questions and digging deep into their due diligence as they seek to underwrite exposures in response to the current situation, but we expect to see strong levels of GP-led activity.

On the LP side, we are seeing buyers become more selective. For many, it doesn't feel like the right time to place big bets and so they are picking their spots more carefully. They are potentially writing smaller checks and adjusting their pricing to reflect their view of the current risk environment. At the same time, however, the market has been through periods of volatility before, and people have learned to invest through the cycle.

Q How undercapitalized is the secondaries industry today and what might help balance supply and demand to drive growth?

AM: It is well understood that the secondaries market is undercapitalized relative to potential activity. The pace of capitalization, particularly on the GP-led side, is the biggest inhibitor of growth. It remains difficult to complete a single asset continuation vehicle of over $1 billion today without meaningful syndication.

In terms of new capital coming into the market, there has been a notable increase in retail investment, particularly involving 40 Act/interval funds. This has provided a big boost, especially on the LP side of the market. At the same time, we are seeing a growing appetite for GP-led deals amongst institutional investors. These investors want to make sure they have a presence in that space to retain access to the very best assets.

That growing appetite is being met by new entrants in the GP-led market. In fact, we have seen four new GP-led strategies at major platforms come online over the past few quarters. As these new players raise capital, that will take some of the pressure off the demand side of the equation, allowing more supply to come forward.

There is still a huge capacity for growth in the secondaries market in general. We are still talking about single-digit percentages of LP volume relative to the underlying installed base of capital that is available to be traded. Similarly on the GP-led side, only a small proportion of assets that could theoretically go into CVs based on quality and duration are currently doing so. As more and more capital comes into the secondaries space, we will start to be able to unlock the full potential of this market, helping drive us towards $250 billion of transacted volume within the next couple of years and possibly $500 billion-plus by 2030.

> *"The market is continuing to function whilst absorbing the impact of what we have and will continue to see"*
>
> **BRENLEN JINKENS**

Q What comes next in the meantime?

BJ: This is a long-term assets class. People don't make knee-jerk decisions. They will take the time now to systematically review what is in front of them, but buyers are well capitalized, and this has become an established route to liquidity. The market is adjusting in just the way we would expect. There's no drama here. This is just another proof point, if we needed one, that the secondaries market is sufficiently sophisticated to adapt to all kinds of market circumstances.

Adrian Millan and Brenlen Jinkens are partners at PJT Partners, a global advisory-focused investment bank

A second chance for endowments

Yale's sizable portfolio sale could spur a number of endowments to follow suit – with programmatic seller Harvard in market alongside it. By Hannah Zhang

University endowments in the US, with portfolios heavily weighted toward private equity, are approaching a tipping point in their use of the secondaries market.

High-profile endowment sales – including Yale's up to $6 billion transaction – come at a time when the schools are facing growing pressure from the Trump administration's threat to limit federal funding and revoke the tax-exempt status of top US universities. Harvard has also recently offloaded a portion of its PE investments to Lexington Partners in a transaction valued at around $1 billion, affiliate title *Secondaries Investor* understands. That news was first reported by Bloomberg.

It's important to note that both schools began exploring these sales before the Trump administration introduced sweeping measures targeting university funding and their tax-exempt status. Yale has been exploring the process "for many months," according to a statement shared with *Secondaries Investor*. Harvard's selling effort was reported to have started last year.

While it remains unclear whether the funding challenges imposed by the Trump administration affected any part of the selling process for Yale and Harvard, it appears that both schools entered the market with the intention of rebalancing their private market portfolios.

Yale – which has a 45 percent allocation to private equity and $46 billion of assets under management, according to *Secondaries Investor* data – is selling in the secondaries market for the first time, it is understood. Harvard, on the other hand, has tapped the secondaries market several times in the past and has already been using it as a portfolio management tool, two sources told *Secondaries Investor*. For its part, Harvard has a 38 percent allocation to PE with nearly $63 billion AUM.

In April, sources told *Secondaries Investor* that other university endowments are circling the secondaries market exploring potential sales. While these discussions remain at an early stage and the deals are unlikely to match Yale's scale, the institutions are increasingly open to engaging, with some already taking initial meetings, according to one source.

"The pressure that the administration has been putting on university endowments has led to funding shortfalls by universities in the US. That is also starting to play out in the market," said Joseph Zargari, a partner at Morgan Lewis, speaking at an event held by the law firm in London on April 30.

Yale's transaction in particular suggests that university endowments begin to follow in the footsteps of some large public pensions and foundations that have become programmatic sellers in the secondaries market.

Endowment sales could account for a larger share of LP-led deal volume in the near term as more universities begin to view the secondaries market as a viable portfolio management tool. This trend may accelerate as universities face growing financial and political uncertainties, with the secondaries market potentially providing a much-needed source of relief.

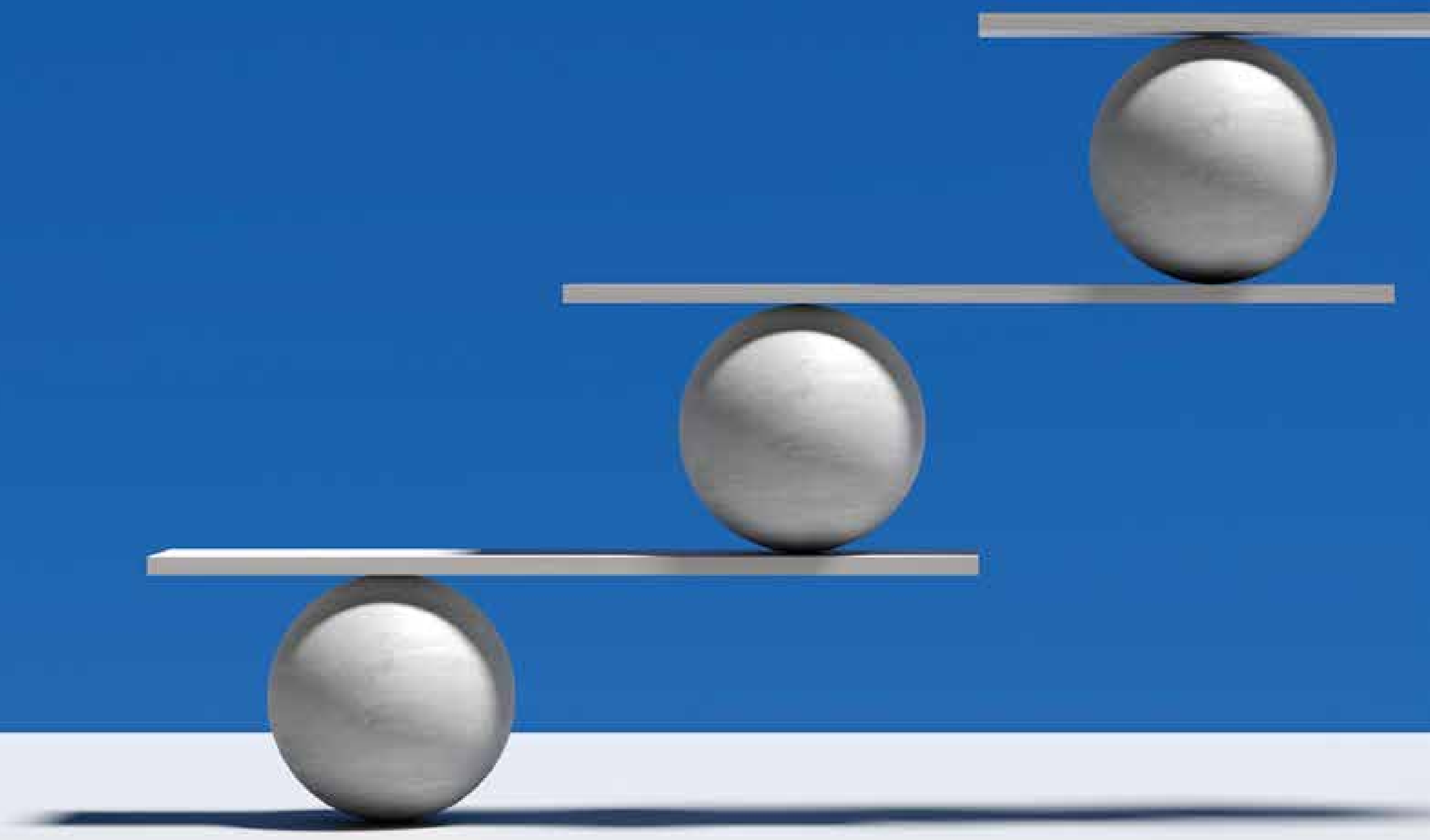
It's unclear how much of the endowments' portfolios will ultimately trade. Still, Yale's deal could mark the start of a new wave of dealflow and even more programmatic selling by endowments. As the saying goes: "As goes Yale, so does the endowment world." ■

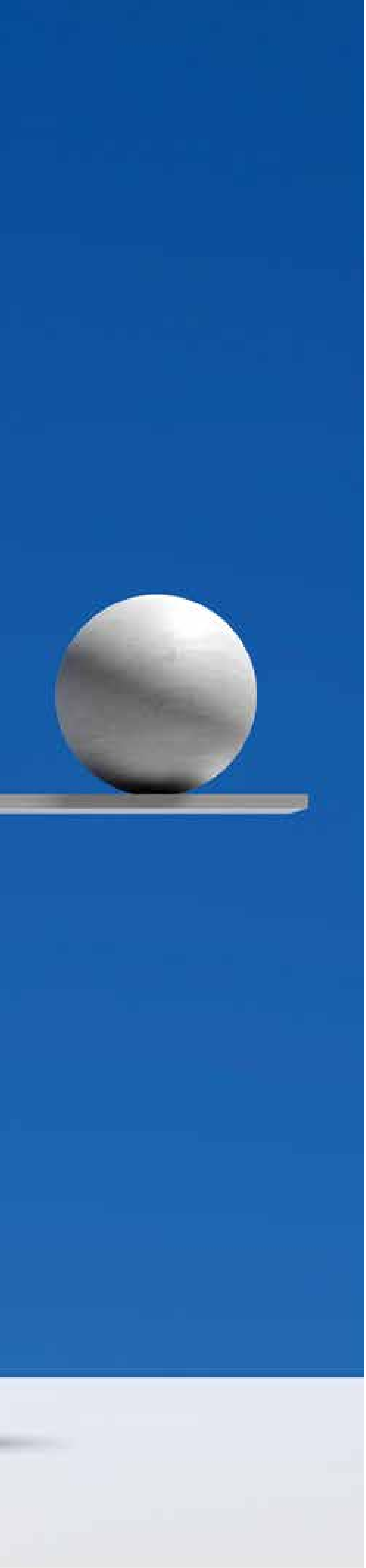
Madeleine Farman and Adam Le contributed to this report

Cover story

US secondaries defy unsettled markets

The US secondaries market may have notched up record levels of deal activity in 2024, but global trade uncertainty and volatility elsewhere in the markets leave the situation delicately poised. By ***Nicholas Neveling***





Fundraising and deal volume figures would suggest that US secondaries managers have never had it so good. In 2024, driven primarily by the US market, secondaries deal volume worldwide increased by 40 percent year-on-year, to reach an all-time high of $156 billion, according to William Blair. Within that, LP- and GP-led deals generated year-on-year gains of 33 percent and 52 percent, respectively.

Secondaries fundraising has proven equally robust. In Q1 2025, against a challenging backdrop for fundraising overall, secondaries strategies saw the largest year-on-year increase in capital raised, accounting for more than a quarter of all capital raised, according to data from affiliate title *Private Equity International*, with the two largest vehicles closed during the first quarter both pursuing secondaries strategies.

Meanwhile, secondaries managers have been among the biggest beneficiaries of private equity's democratization trend, with the strategy proving a neat fit for the "semi-liquid" interval and evergreen funds that have emerged as popular structures for unlocking non-institutional investment into private equity.

"One of the big trends in private markets over the past few years has been the growth of '40 Act funds, which are sold through wealth channels to retail investors," says Tom Marking, director, private capital advisory at William Blair. "Secondaries is a very natural asset class for these semi-liquid vehicles because of the J-curve mitigation, diversification and more predictable go-forward liquidity."

The combination of solid secondaries capital formation, managers actively deploying this newly raised capital, and sustained strong demand for liquidity from LPs and GPs had US managers sitting pretty at the beginning of 2025, with forecasts pointing to another banner year for US secondaries activity.

$175bn

Predicted global secondary market volume for 2025, a 13% increase on 2024's record total

Source: William Blair

Total deal volume of $175 billion was in the pipeline for the year, according to William Blair.

Tariff turmoil

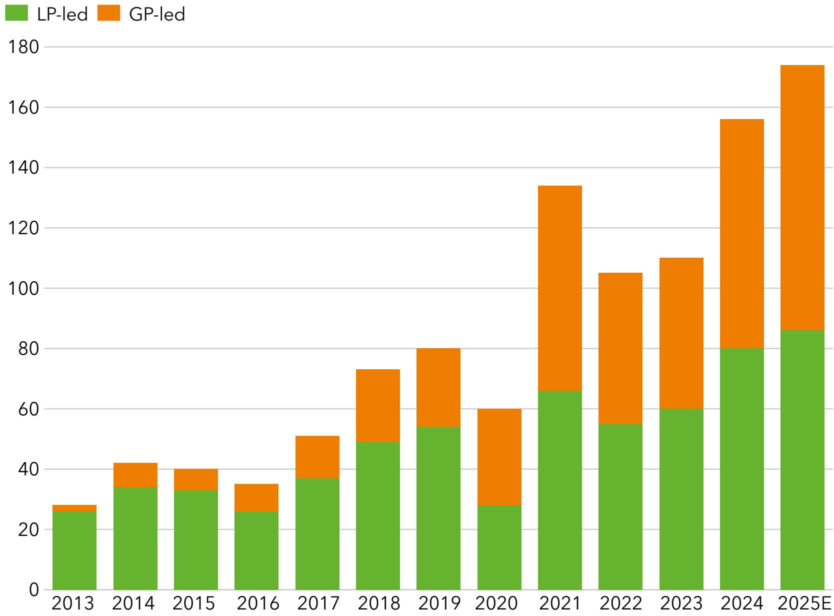
The impact of shifts in US tariff policy announced at the beginning of Q2 2025, however, and subsequent dislocations across global markets, have seen secondaries stakeholders recalibrate their expectations for transaction flows through the rest of 2025 and into 2026.

"The secondaries market had a great 2024 and the most active quarter on record in Q1 2025. There was every indication that 2025 would be the most active year ever, but shifts in tariff policy have seen managers step back to assess the implications on their own portfolios, and what that means for risk and liquidity," says Wilfred Small, senior managing director at Ardian.

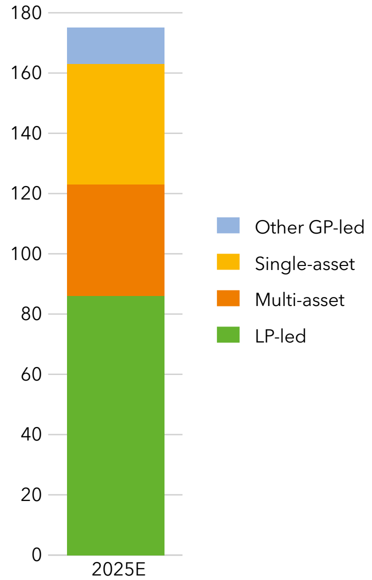
Even though early reviews suggest that tariff changes will have limited impact on secondaries portfolios and deal targets, especially where assets are service-orientated with lower exposure to supply chain issues and tariffs, the risk of a broader economic slowdown, and its implications for private equity managers that are still under pressure to improve DPI ratios, has seen valuation volatility filter down into the secondaries space.

Further delay to the much-anticipated reopening of the private equity exit window should benefit

Global secondaries market volume ($bn)



Global secondaries transaction volume ($bn)



Source: William Blair's 2025 Secondary Market Survey

secondaries' liquidity providers over the medium term, but the asset class is not immune to wider market disruption.

"As a buyer, however, you do have to take delayed exits into account for your underwrite, so there can be a little bit of delay before demand for liquidity translates into actual deals," says Chris Perriello, partner and global head of secondaries at Carlyle AlpInvest. "Bid-ask spreads can widen at times of volatility, which indicates that the second half of 2025 should be busier than the first half."

In fact, how to price risk through a period of high uncertainty is seen as the biggest obstacle to buyers and sellers transacting in secondaries at present.

"Investors are challenged to make long-term investments in an environment where policy shifts can occur overnight, stability is lacking and decision-making is unpredictable or erratic – often reactionary," says Mina Pacheco Nazemi, head of diversified alternative equity at Barings. "I would be surprised if anybody was able to strike a price in April."

Pricing disconnects are not expected to affect overall secondaries deal volume, but they may reshape the split between GP-led and LP-led activity. William Blair figures show that in each year since 2020, LP-led and GP-led volumes have, barring a few exceptions, each represented around 50 percent of overall secondaries transaction volume.

That split is now likely to change, with LP-led deals expected to account for a larger slice of transaction flows. "In the current environment, there is a little bit more price flexibility in the LP-led space, because you can mix and match the quality of the portfolio," Perriello says. "In the GP-led space, for a high-quality single-asset deal, it can be a little more price sensitive, so activity may be a little slower. It is a robust market, but you really have to pick your spots."

There is also more urgency among certain subsets of institutional investors to transact, with US university endowments in particular – which have tended to hold higher allocations to private equity than other institutions – rapidly reassessing their liquidity requirements as federal funding cuts and possible changes in tax status appear on the radar. Geographic and currency

"This is going to be a vintage that separates mediocre underwriters from the good underwriters"

MINA PACHECO NAZEMI
Barings

exposures, meanwhile, are a focus area for all institutional investors.

"There has been so much change in the market during the last six months, and there is an expectation that there are going to be more LP interests sold in the market, either because of economic conditions or for liquidity purposes, which could see more capital deployed in LP-interest deals," Pacheco Nazemi says.

Ardian's Small notes that the sheer volume of private equity assets that investors are managing, coupled with the fact that institutional investors are now using the secondaries market on a regular basis to tailor portfolios, is another factor that keeps LP-led volumes ticking over across all phases of the cycle.

"GP-led and LP-led secondaries deals are both growing steadily, but we see LP-led deals remaining the majority of the market over the longer term when you consider the sheer volume of capital committed by the largest allocators to the asset class, and what it takes in dollar terms to move the needle on those programs," Small says.

"Most sellers today are not distressed. They are opportunistic and strategic, and as focused on the opportunity cost of not selling as they are on the discount. Once they sell once, more often than not they sell again, becoming programmatic sellers who tap the market regularly to fine-tune portfolios."

As the fallout from initial tariff uncertainty is clarified and priced in, LP-led deal pricing is expected to settle through the back half of 2025. "On the LP-led side it will be interesting to see where deals price. There could be initial disconnect around pricing, but there are a number of sellers out there that require liquidity, and we do see price expectations converging eventually," says William Blair's Marking.

The underwriting opportunity

For both LP- and GP-led secondaries, recent market dislocations could even prove to be a blessing in disguise, rewarding good underwriting and improving the quality of deal pipelines. In the LP-led space, for example, selling LPs will be more inclined to increase asset quality in portfolios to narrow discounts to NAV on sale.

"If you look at periods of really robust pricing in secondaries when the markets have been on a big run, the quality of assets in the LP market historically have been a little lower, because sellers could achieve pricing on lower-quality assets. When there is more volatility, sellers have to sell higher-quality assets to achieve the same pricing," Perriello says. "It is better to pick what you want to buy, rather than reacting to what is for sale."

Similarly, on the GP-led side, current market conditions present good opportunities for managers to invest in quality assets at attractive valuations.

"If you want to pursue a GP-led deal in the current market, you have to be able to set your own valuation for the asset taking into consideration the financial profile but also market dynamics, given trade wars, cuts in federal funding, and the potential of stagflation that is threating the economy," Pacheco Nazemi says. "This is going to be a vintage that separates mediocre underwriters from the good underwriters who understand the assets and their cashflows, and aren't simply buying at whatever discount clears the market."

For all the disruption and disconnect that the US secondaries market has endured so far in 2025, accomplished managers who underwrite well could find themselves looking back on another volatile year for deal activity come the end of 2025 – albeit not along the route initially anticipated.

"Illiquidity in the traditional channels persists, and so liquidity in the 'non-traditional' secondary market is of interest to many of the largest allocators," Ardian's Small says. "So, while the market has been doing some adapting and recalibrating, there are multiple tailwinds and structural reasons to believe 2025 will be another banner year for secondaries." ■

"Bid-ask spreads can widen at times of volatility, which indicates that the second half of 2025 should be busier than the first"

CHRIS PERRIELLO
Carlyle AlpInvest

"Shifts in tariff policy have seen managers step back to assess the implications on their own portfolios"

WILFRED SMALL
Ardian

EXPERT COMMENTARY

The volume of sellers and capitalization of buyers can drive the secondaries market to reach yet another record year in 2025, says Yann Robard, managing partner at Dawson Partners

Predicting a $200bn year for secondaries

Most will have heard by now that 2024 was a banner year for the secondaries market – with global secondaries volume reaching over $160 billion, per Evercore. In fact, volume was up 41 percent year-on-year from 2023, eclipsing the prior record of $130 billion achieved in 2021. There was a heightened level of activity in both LP- and GP-led transactions as many LPs dealt with portfolio overallocation issues and many GPs sought to leverage continuation vehicles as a tool to send distributions back to investors.

It's important to contextualize this volume. Just a decade earlier, the secondaries market was at just $40 billion in volume, according to Evercore. This means it has quadrupled in just 10 years – through innovation, specialization and maturation.

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So why are we predicting another record year for the secondaries market in 2025? As we enter 2025, we are seeing many of the same themes we saw in 2024. Many LPs remain overallocated to private equity. Many GPs are increasingly looking for liquidity options. And, while fundraising has not kept pace with deployment, there has been a growing amount of capital flowing into the secondaries market. In an admittedly challenging fundraising environment for PE overall, secondaries fundraising has been a bright spot in a tough market.

What's ahead for 2025?

As we head into the second half of 2025, we predict the secondaries market could hit a new record in volume – between $175 billion and $200 billion for the year. What's driving our prediction? We believe there are two key factors providing tailwinds in achieving this milestone: the volume of sellers and the capitalization of buyers.

Volume of sellers

Over the past three to four years, it has not been easy to manage PE portfolios. As *Buyouts* reported, in 2021 many PE investors fared extraordinarily well and because of significant outperformance, they found themselves victims of their own success. In fact, many PE investors ended 2021 overallocated for the right reasons: their PE portfolios outperformed public markets by a wide margin. The MSCI Private Capital Universe PE return was up 39 percent, while the Russell 3000 was up 26 percent.

In 2022, markets shifted. The Russell 3000 declined by 19 percent, and this compounded overallocation issues as PE valuations per the MSCI Private Capital Universe PE return fared better than public markets. In 2023 and 2024, liquidity and distributions in PE started to dry up with investors only receiving 11 percent and 15 percent of portfolio NAV back, respectively, versus the 15-year average of 26 percent, according to MSCI Private Capital Universe.

The waterfall of events over the past four years has wreaked havoc on many investors' portfolio allocations and created a need for some rebalancing. In comes the secondaries market to help fill that void.

While there was some renewed optimism at the end of 2024, 2025 has been off to a choppy start at best. So far, the year has been marked by tariffs, a new world order and geopolitical uncertainty, which we believe will result in a general slowdown of dealmaking in Q2 and could further push out much-needed distributions for PE investors. We predict an era of uncertainty will loom large over allocators and that there will be compounding overallocation as the denominator effect may start to re-emerge.

As a result of recent volatility, many LPs will likely remain overallocated to PE in the short to medium term. In fact, at the end of 2024, before this renewed bout of volatility, nearly 50 percent of LPs reported being overallocated to PE according to *Buyouts*. A meaningful increase from only 22 percent five years ago.

While some may believe that liquidity returning to the market will help resolve this overallocation, we believe that as distributions increase, so too will capital calls as the market and dealflow pick up. In other words, we see a period where LPs will be running on a treadmill with increasing distributions offset by increased capital calls. We expect this to drive volume to the secondaries market for the foreseeable future.

Case in point: Q1 2025. PJT Partners estimates that secondaries volume was ~$45 billion, which represents a ~50 percent year-on-year increase relative to Q1 2024 and a run rate of $180 billion. And while we expect a slight pause in secondaries activity in Q2, we believe this will be short lived. As secondaries buyers and sellers digest that uncertainty is the new certainty, we see secondaries activity returning quickly and in scale in the second half of 2025.

Focusing now on GP-led activity. It's no secret that many GPs have embraced the secondaries market to help send distributions back to LPs in a low-liquidity environment. In fact, according to Evercore, the GP-led market has averaged 45-50 percent of the total secondaries market since 2021. In 2024, the GP-led market totaled $71 billion, with over $25 billion closing in Q4 alone.

The market has continued to show impressive 39 percent year-on-year growth, and we don't see why this market can't reach $100 billion in 2025.

> *"As we enter 2025, we are seeing many of the same themes we saw in 2024"*

Capitalization of buyers

For us, the question is less on the volume side, it's on capitalization. Will the secondaries market recapitalize quickly enough to achieve $200 billion this year? We see this as a "raise and deploy" market. Given the high volume of dealflow reported in the secondaries market, there have been more deals completed than dollars raised.

Despite many pointing to 2024 as a record-breaking year for fundraising, we continue to see the market as being vastly undercapitalized. For example, in the past four years there has been $514 billion deployed, and yet only $339 billion raised, per affiliate title *Secondaries Investor*. Put another way, only 66 cents raised for every dollar deployed in the market and looking at last year alone – $162 billion deployed and yet only $98 billion raised.

Dry powder has continued to shrink – not grow – in this market. Our analysis suggests there is less than one year of dry powder remaining, assuming no additional fundraising. So, for us, the real question is how successful secondaries funds will be in raising capital in 2025 during a challenging fundraising environment. If this continues to be a bright spot, if LPs choose to use their scarce dollars to allocate to secondaries funds, then we certainly see the market achieving $200 billion. In our view, the key to hitting $200 billion is capitalization, not dealflow.

Final thoughts

As we look at the rest of this year, we see the secondaries market reaching a new high-water mark. We believe transaction volume could reach as high as $200 billion in 2025 – approximately $100 billion in LP sales and $100 billion in GP-leds. Given continued tailwinds in the industry, we maintain conviction in our prior prediction of a $1 trillion secondaries market by 2031. Only time will tell. ■

PEI
NEXUS 2025

Bright future ahead for secondaries

The road to secondaries market growth is paved with ire and admiration, as attendees heard in March at NEXUS 2025. By Adam Le

It's not exactly something you would expect the godfather of secondaries to say on stage at an industry conference. Asked in March at PEI Group's NEXUS event whether he would ever had any doubt in the early days about the market's potential growth, secondaries veteran Jeremy Coller was revelatory.

"I didn't want to do it, because I hated secondaries," he said, referring to his time at the UK's ICI Pension Plan. "I did it to save a pension fund because of the collapse. I did it because it was a way of getting into business and I just wanted to be in business."

Readers of affiliate title *Secondaries Investor* can thank their lucky stars Coller did not become a buyout guy. Instead, he went on to help create an industry that has just celebrated its biggest-ever year in deal volume. It's also now an industry that GPs and LPs can no longer ignore and one they are starting to embrace.

One giant LP embracing secondaries is New York City Retirement System. The $284 billion pension sees

Insightful panels:
Around 600 attendees gathered in Orlando in March to attend the annual NEXUS conference.

Over the three days, they had a chance to listen to more than 140 speakers as well as attend special forums on private wealth and emerging managers

Beyond:
At the conference, attendees had a chance to network, sit down with members of the PEI editorial team for one-on-one video interviews, take part in member-only breakfasts, chat during breaks, lunches and dinner, and enjoy a cocktail reception in the grounds of the Ritz Carlton

value in selling older funds that are compounding at a lower rate of return and reinvesting proceeds into newer funds that have a higher expected rate of return, Eneasz Kadziela, deputy chief investment officer and head of private equity at the NYC Comptroller's Office, said.

On the GP-led side, LPs don't see this part of the market going away. Texas Municipal Retirement System, for example, participates as both a seller and a buyer in continuation funds and sees them as a way to increase specific asset exposure, head of private equity Philip O'Brien said on the same panel.

Just how big can the overall market get? A straw poll conducted at the beginning of Coller's fireside chat found that roughly half the audience believed deal volume will be between $500 billion and $1 trillion by 2030. Coller has his money on the bottom of that range, while Yann Robard, managing partner of Dawson Partners, reckons the top of that range is more likely.

No one summed it up more poignantly than Társis Gonçalves, a partner at Kirkland & Ellis, in his welcome speech at the *Secondaries Investor* dinner on day two of the event. Professing his love for the secondaries market's ability to innovate, Gonçalves pointed out the importance of participants working cohesively to ensure future growth.

"Collaboration is what underpins the most positive definition I once heard of the GP-led market – that is, creating win, win, win solutions – for sponsors, buyers and LPs," he said. "I am not sure that's always the case, but certainly the most successful deals in our industry were inspired by this win-win-win spirit."

For sophisticated investors, proactive management of a private markets portfolio via the secondaries market isn't just something worth considering; it's something industry-leading LPs and GPs – many of whom were at NEXUS in March – are already doing. Love it or hate it, the secondaries market is here to stay. ■

Five things we learned at NEXUS 2025

The secondaries market has been breaking records. In Orlando, PEI editors sat down with industry attendees for a series of video interviews to discuss the key trends shaping the market

1 Secondaries are expected to grow

How big will the secondaries market be by 2030? To Jeremy Coller, founder and chief investment officer of Coller Capital, the figure is $500 billion. For Yann Robard, managing partner of Dawson Partners, his prediction is double that, at $1 trillion.

"In 1990, when we started, it was a few million dollars. In 2000… the whole private equity secondaries market was $5 billion," Coller said. "In 2010, it was $100 billion, and last year it was $160 billion. There has been rapid growth."

"All of these tools that we're providing through the innovation of the secondary market enables LPs to be more thoughtful about how they manage their portfolios, if it's done right," Robard said. "Right process, right structure, right mindset. GPs need to do the right thing to their LPs in all of these processes. If it's not, that's not right."

2 LPs and GPs are finding secondaries beneficial

The secondaries market could be set for another record year of transaction volume if first-quarter dealflow is anything to go by, according to Lazard's Holcombe Green, global head of the firm's private capital advisory group, speaking to affiliate title *Private Equity International* senior editor Adam Le about the drivers of GP-led processes and the continued need for distributions.

"The use cases for the secondary markets and the products that investors offer have become extremely beneficial to LPs and GPs alike around the world. I personally think we'll continue to see records broken in the secondary market year over year for many years to come," Green said.

3 New seller education will help grow the LP side of the industry

A dynamic that is helping drive volume on the LP side of the secondaries market is the trial by fire of first-time sellers, who go through the rigors of a first sale, and find that subsequent processes become more efficient.

The education and experience of new sellers will help grow the LP side of the industry, according to Vlad Colas, executive vice-president and co-head of secondaries at Ardian. "You can move a $2, $3, $4 billion portfolio in a matter of weeks and GPs now are comfortable with it, they realize that it's better for everybody that there's liquidity," Colas said. "A lot of the first-time sellers we think are now going to become programmatic sellers."

Ardian sees a swell of opportunity as it puts to work its ninth fund, which it closed on $30 billion in January and which is roughly 50 percent committed. The firm likes to be the sole buyer of large portfolios, bringing in its own LP co-investors.

In this market, sellers seeking liquidity are open to buyers picking and choosing what they want out of a large book of fund stakes.

4 Cherry-picking strategies spurs returns

With LP-led deals getting larger and larger, fund managers are having to look into either taking down the whole transaction or picking parts of the portfolio.

Today's market is more conducive to the latter, Ardian senior managing director Wilfred Small told Madeleine Farman, editor of *Secondaries Investor*, in a video interview at the conference. He said the firm's strategy is to identify and cherry-pick the "best assets to lean into at the right time."

"We want to make sure we get the best absolute pricing, of course," Small said. "But when we backtest the performance of our funds, most indicative of the return is not necessarily what we pay, but what we buy."

Amid a persisting buyer's market and a slow exit environment, there is no shortage of opportunity, Small said.

"There has been rapid growth"

JEREMY COLLER
Coller Capital

"I personally think we'll continue to see records broken in the secondary market"

HOLCOMBE GREEN
Lazard

"We want to make sure we get the best absolute pricing"

WILFRED SMALL
Ardian

"A lot of the first-time sellers we think are now going to become programmatic sellers"

VLAD COLAS
Ardian

He anticipates the market could see a record year for volume, "and we think there's a clear case for this market to be a $200 billion market" by year-end.

5 Real-time data attracts repeat sellers in the market

A number of large-scale LP-led deals have moved through the secondaries market in recent years yielding good outcomes for sellers, William Blair director Jake Stuiver told *Secondaries Investor*.

The secondaries market has proven its ability to take down large LP-led portfolios, which is leading other allocators to follow suit.

"We've seen a few of these real large-cap deals pass through the market over the past three years," Stuiver, said. "In no cases that I can think of [have] they failed to net a good result for the seller."

Stuiver also discussed how real-time data is leading to an increasing number of repeat sellers coming to the market, the viability of tech platforms set up to facilitate LP-led trades, the potential impacts of macro uncertainties on activity and the outlook for secondaries in 2025. ■

Conference interviews

Watch more video conversations with top industry attendees from Nexus 2025

Ardian's Vlad Colas on the rise of first-time sellers as LPs seek liquidity

NYC pension's Eneasz Kadziela on what the system looks for in GPs

KEYNOTE INTERVIEW

European secondaries transformed

As the secondaries market steps into the spotlight, GP-led transactions are redefining how the market will look globally, says Aleksander Bakic, European co-head of liquidity solutions at Kirkland & Ellis

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Q How do you see rising investor demand? Are heightened liquidity needs and broader acceptance driving the popularity of single-asset and multi-asset continuation vehicles in Europe?

It has been a fairly bumpy ride for private equity over the last couple of years. Higher costs of capital and macroeconomic uncertainty have contributed to muted exit activity via M&A and IPOs. Combine that with distribution volumes for LPs at post-global financial crisis levels, and resulting extended fundraising periods, and you get an environment where the secondaries market has been pushed further into the spotlight.

CVs, both single- and multi-asset, have emerged as a key tool for both GPs and LPs looking to generate liquidity while retaining the ability to participate in the growth opportunities that uncertain conditions inevitably present.

From a buyer perspective, the supply of opportunities still exceeds demand, with more potential deal volume relative to dry powder available. That enables investors to focus on opportunities that they consider most attractive, whether that is based on quality of assets, quality of sponsors or other metrics. As the buyer universe continues to expand, I expect to see more competition and a more stratified picture in terms of the segment of the market buy-side participants choose to focus on.

When it comes to existing investors, by now, most major LPs have gone through at least one CV transaction in their portfolios and, assuming the situation is right, they are not just accepting of them but embracing the optionality that they provide. A number of particularly large LPs and substantial family offices have also started to look for ways to become more active in these deals, both as syndicate members and as lead investors.

On the sponsor side, CVs are now fully accepted as part of the toolkit, and given the dynamics I mentioned earlier, many are keen to tap the market for the first time or return for successive iterations. Many of our sponsor clients are also now formally including CVs as a potential exit option when they initially acquire assets, as well as making sure that whenever an exit is being contemplated, this technology is considered.

Q Over the past year, how has the capitalization of the secondaries market evolved across Europe?

We have seen an expansion on the buyside globally, and Europe is no different. Three trends underpin that and have the potential to take growth to the next level. First, a number of institutional secondaries players that used to deploy into CVs from their flagship funds are now launching dedicated funds to give them further flexibility, particularly at the more concentrated end of the spectrum.

Second, there are quite a few market entrants that have successfully broken into this space and are now starting to lead transactions in Europe. As well as launching dedicated funds, several buyout firms have also sought to deploy into these deals from their flagship funds.

Finally, we have seen the rise of retail and quasi-retail funds, which has had a major impact on the market, with many capable of deploying into GP-led deals.

Q What insights can you share about emerging structuring trends, valuation strategies and process innovations?

The secondaries market is arguably the most innovative part of the private equity universe, and PE is the most creative segment of the financial markets. We consistently see innovation in GP-led deals, throughout market cycles.

One recent observation would be the use of strategic co-investors, particularly on large-scale single-asset transactions that would otherwise be too big to underwrite with solely secondary capital right now.

A second emerging trend is the 'CV-squared,' where we see certain assets that were sold to early vintages of CVs three to five years ago now reaching the next level of maturity and being transacted on as part of a new GP-led with the same sponsor.

The third theme we have seen extensively in the US and now in Europe is the expanded use of insurance to streamline these transactions, allowing for a cleaner exit for sellers.

On valuations, the main development is a departure – on a minority of deals – from traditional secondary-style NAV pricing towards a more typical M&A-style model based on enterprise value. That is in part influenced by greater involvement in these transactions from professionals that come from a direct M&A background, including new market entrants.

Finally, on process innovations, a common observation from sponsors has been that these deals require a heavy lift for all involved. A few are now building dedicated capability within their execution teams, to ensure those with experience are involved on all GP-led transactions that the house does, bringing consistency and institutionalizing know-how.

Q How are GPs and LPs looking to capitalize on these developments?

We see GPs actively assessing the opportunity set around these transactions. Many are seeking ways to streamline their own investments in CVs, including by raising dedicated 'partnership' vehicles alongside their flagship funds to invest in their own GP-led deals.

Some are also looking at ways to participate in other sponsors' CV transactions, as strategic minority buyers, in joint ventures or, more rarely, as passive investors. There is a big focus on positioning to capture opportunities that might have previously become available through the M&A market and are now being done as CVs.

Probably the most interesting LP trend to watch is LPs revisiting their own protocols and adding dedicated professionals, to help them evaluate these opportunities (both in terms of roll vs sell and new investment decisions) in what is usually a fairly tight timeframe. As investors perfect their processes and more data becomes available on the performance of continuation funds, we expect reinvestment percentages to go up.

Q How have geopolitical concerns affected the market, and how strong does the opportunity set look now?

I think of the secondaries market as fairly a-cyclical. As an industry it has consistently been effective at finding ways to keep deploying capital and finding solutions across cycles.

It's also a fact the current macroeconomic and geopolitical uncertainty is having an impact, as buyers and other stakeholders take stock. Most of the processes initiated late last year or early this year have not been affected, though timelines on some newer ones are being elongated to enable bidders fully to assess potential impacts.

We are likely to see a greater focus on assets that are more immune to the tariff dynamics, maybe because supply chains or distribution networks are more localized. There may also be a rise in structured solutions should the bid-ask spread increase further, as witnessed during the covid crisis.

This kind of turmoil is not something the secondaries market has not seen before, but the early predictions of another record year do look a little less certain despite a promising Q1 in terms of transaction volume. Nevertheless, I still expect this to be a strong year given the solid underlying growth drivers, with a particularly robust second half. ■

Secondaries find their niche

Rising dry powder and changing attitudes among LPs trading in the secondaries space have laid the foundation for a more diverse and specialized manager pool. By Nicholas Neveling

Secondaries firms are holding record levels of dry powder right now, and US managers are specializing at pace to secure a bigger slice of the pie.

According to Jefferies, the secondaries industry had an all-time high of $288 billion available to invest at the end of 2024. This opens up more opportunity for established secondaries firms to add new, more targeted secondaries strategies to their platforms.

"More groups are looking to raise secondaries capital, including groups spinning out from established secondaries platforms, and they don't want to be another secondaries generalist," says Yaron Zafir, managing director and head of secondaries at Asante Capital. "They want to see how they can innovate and differentiate in order to attract capital."

Identifying market niches

The specialization theme is shaping the US secondaries industry across both the LP- and GP-led segments of the market. Managers are now raising specialist sleeves of capital focused on targeting specific private markets asset classes beyond the core buyouts space.

For example, there has been a meaningful increase in the magnitude and profile of private credit secondaries deals in the US market, as seen with Coller Capital's recent acquisition of a $1.6 billion private credit portfolio, comprised of 44 LP positions, from US multiline insurer American National. Infrastructure and real assets secondaries strategies are now also firmly on managers' radar.

"Historically, there was a pool of around 20 secondaries buyers in the market, which accounted for much of the market dealflow, and many of them pursued similar strategies and similar deals," says Jeffrey Akers, partner and head of secondary investments at Adams Street. "Over the last 10 years, that group of buyers still accounts for a high proportion of market dealflow, but the market has segmented significantly."

Akers adds that new firms have also emerged to exploit the pricing inefficiencies that characterize newer areas of the market, such as private credit.

"As recently as five years ago, secondaries buyers looked at private credit secondaries as an opportunity to underwrite equity returns with private credit risk, by pricing private credit secondaries at meaningful discounts and using that discount to reach an equity return," Akers says.

"That was an arbitrage in the market that shouldn't have really existed, and some managers saw a chance to specialize in private credit secondaries and provide secondaries capital at a price more commensurate with the risk of the product."

New entrants are also leaning into specialist GP-led strategies, as firms with pure-play buyout track records see opportunities to enter the continuation vehicle market, where there are overlaps between vanilla buyout deals and single-asset CV transactions. Buyout GPs that have recently launched dedicated CV strategies include New Mountain Capital and TPG.

The GP-led space is also specializing by industry sector, as managers leverage expertise accumulated in other strategies to support their CV credentials. Specialist technology buyout investor Accel-KKR, for example, raised $2.2

billion to invest in single-asset software CV deals at the end of 2024, affiliate title *Secondaries Investor* reported.

"We see direct investment firms thinking about entering secondaries," says Asante's Zafir. "Several buyout GPs have set up, or are contemplating setting up, secondaries capabilities to expand into areas like single-asset CV deals. There is more dealflow in secondaries with the emergence of opportunities in areas like private credit secondaries and infrastructure secondaries, which opens up more room for creation and differentiation."

A shift in LP mindset

For David Wachter, founder and managing partner of W Capital Partners, a secondaries firm on the AXA IM platform, a shift in LP mindset has been the second crucial spur to industry specialization, alongside expanding secondaries dry powder.

"The secondaries market has changed dramatically during the last 15 years. A secondaries deal used to be viewed as a sign of weakness at the asset level, at the GP level and at the LP level. That has all changed," Wachter says. "LPs and GPs now see secondaries as a powerful and positive tool, and that has given secondaries the space to grow from focusing predominantly on the liquidity requirements of the LP to also serving the financing requirements of the GP and the portfolio company."

Alongside specialization, LPs have also developed a more sophisticated approach to secondaries allocations. Wachter notes that as secondaries' share of overall private assets allocations increases, LPs have more scope to expand secondaries portfolios beyond the traditional commitments to large-cap secondaries and mid-cap secondaries.

Increasing numbers of LPs now have specific allocation pots for secondaries,

> *"LPs and GPs now see secondaries as a powerful and positive tool"*
>
> **DAVID WACHTER**
> **W Capital Partners**

as opposed to investing out of broader private markets streams. As a result, secondaries shouldn't just be a play to mitigate the J-curve, but a core pillar of private markets allocations that can be curated to deliver specific risk-adjusted returns.

"One of the most overlooked areas by institutional investors in the secondaries space right now is risk-reward," says Patrick Gerbracht, co-head of secondaries at Portfolio Advisors. "LPs appreciate that secondaries are differentiated, but they're not always thinking about risk-reward when it comes to how you achieve the targeted multiple and IRR. Investment portfolio construction, levels of concentration and the degree of leverage all shape the levels of risk involved. All returns are not created equal."

Adams Street's Akers adds: "If you think about LPs investing in a diversified secondaries fund, versus someone that might invest in a private credit secondaries specialist, there is a totally different risk-return profile on offer. That gives the LP a lot of choice."

Large generalist secondaries players will likely remain the bedrock of the industry, with LPs complementing these core secondaries allocations with commitments to specialist players. This, in turn, will shape how managers position their offerings to the US market, according to Gerbracht: "As a secondaries manager, it is important to have a strike zone and know what you do well, as well as what you won't do. You can't try and do everything. If there is a lack of strategic clarity and you do try and do everything, you can find yourself in trouble very quickly."

With secondaries fundraising proving robust through Q1 of 2025, despite a slowdown in overall private equity fundraising, there is clearly no going back on the specialization trend. "The market will continue to evolve in the next five to 10 years. New lanes for investment will open up, and new areas of specialty will arise," Gerbracht says. ■

KEYNOTE INTERVIEW

Preparing for continued growth in secondaries

The expansion of the secondaries market is encouraging private equity firms to develop scalable and flexible back-office operating models, according to RSM's Scott Reamer and William Andreoni

Q What role does the secondaries market play in addressing the liquidity challenges faced by private equity investors and why do you think it is poised for significant growth?

Scott Reamer: When the Federal Reserve began raising rates in March 2022, the cost of capital increased significantly over the next 18 months. Consequently, the initial public offering market declined by 80 percent from 2021 levels, and traditional M&A activity slowed, decreasing by 62 percent from 2021 to 2024 in USD terms.

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It has been notable to witness the role of the secondaries market in addressing the current liquidity shortage. This is indeed a significant liquidity crisis. IPOs accounted for only 6 percent of US private equity portfolio company exits in 2024, which is a concerning statistic.

Over the last few years, we have seen some of the highest-profile and sophisticated investors increasingly tapping into the secondaries market, most recently Harvard and Yale. This is a market solution to a market problem, and we believe secondaries will play a significant role as a liquidity solution for LPs and GPs alike, not just for the 2017 to 2022 cohort, but on a go-forward basis.

Even if the IPO market doubled overnight, it would not solve the liquidity challenge given the number of portfolio companies needing exits and the capital to be returned to LPs.

Our view is that the secondaries market will be central to solving this critical problem of returning capital. We are extraordinarily bullish on the space. The $600 billion raised exclusively for the secondaries market highlights its potential as a vital liquidity solution for LPs and GPs seeking capital returns.

William Andreoni: The average holding period for many private equity funds extended over the years to six or seven years, which is approximately double the long-term average. Additionally, secondaries trading volumes increased by around 50 percent, reaching over $160 billion in 2024, according to Evercore's FY 2024 Secondary Market Review.

Projections for the current year are estimated to be between $220 billion and $230 billion. This data indicates the significant role of the secondaries market in addressing liquidity challenges within private markets.

Q How is the rise of the secondaries market reshaping the operational landscape for private equity firms, and what challenges do back-office teams face?

WA: The secondaries market is enhancing private equity strategies by providing essential liquidity options for LPs and GPs. Its rapid growth stems from the increasing need for effective liquidity solutions within private capital. With secondary funds raising record amounts, this trend is expected to continue. To keep up, private equity firms must ensure their back offices are equipped to handle the added complexity and transaction volumes efficiently.

Dealmaking and liquidity remain at the forefront, with secondaries offering liquidity options; however, this comes with a need for a flexible and scalable back office to facilitate these transactions without a hitch.

Secondary transactions in private equity are complex and fast-moving. The diverse deal types, intricate valuations, large data volumes and needed technology advancements make a stable and agile back office essential.

Engaging in the secondaries market can add complex transaction volume to the back office, resulting in the need for better technology adoption. Back-office teams must manage complex data, navigate increased reporting demands, comply with regulations, and simply find ways to move 'faster' through transactions. Efficient finance and accounting operations are essential for handling this workload, maintaining efficiency, supporting growth and providing accurate stakeholder information.

Simply put, relying on Excel spreadsheets or outdated systems that are not fit for purpose in managing these complex transactions can impede your ability to manage these sophisticated deals effectively.

Q What tech solutions should private equity firms consider?

WA: Secondaries transactions rely heavily on granular data, which can vary significantly from deal to deal. Therefore, it is essential to prioritize detailed data capture, advanced data analytics and data automation. This requires having the right technology stack to process any key piece of data from inception to closing of a transaction.

Artificial intelligence and technological solutions can be highly beneficial, but effective controls are essential. Errors can arise when collating, structuring and reporting data, especially under tight timelines.

Therefore, firms must implement strong procedures to prevent inaccuracies. The faster the pace, the greater the risk of mistakes, making proper processes critical. Technology alone is insufficient; a back-office team with thorough understanding of private equity and secondaries transactions is equally crucial.

Robust controls in back-office technologies are vital for private equity firms in any market transaction. These controls ensure accuracy, compliance, efficiency, risk management and data

Q Is there a role for artificial intelligence in the secondaries space?

WA: The growth of the secondaries market creates a compelling incentive for private equity firms to explore predictive analysis and forecasting tools, including AI-based solutions. Although AI adoption has a long way to go, particularly in the mid-market, it is expected to increase rapidly from 2026 onward. The evolution of secondaries may accelerate this trend because it focuses on how firms collect and generate insights from data quickly. In this context, AI could prove to be a powerful tool.

AI may enhance predictive analysis, data management, operational efficiency, risk management and decision-making in these transactions. As the market evolves, private equity firms will increasingly adopt AI-based solutions to manage data and reporting around these secondary transactions.

integrity, which are key to navigating the market's complexities and maintaining investor trust.

Q Do you see people, processes and technology as an important differentiator when it comes to performance or is this just going to be table stakes from now on?

SR: I think it will be a differentiator. The proliferation of secondaries transactions has significant implications for the front office and for fundraising, as well as for back-office operating systems.

The sales distribution aspect of the asset management value chain is a strategic source of liquidity and provides managers an opportunity to outperform their peers. The degree to which a private equity firm can return capital to investors regularly and on time because they have the right people, processes, data and systems to engage effectively in the secondaries market will influence how much capital they are able to raise going forward. Those that fail to adapt will be at a competitive disadvantage.

"No part of the private asset management industry will be left untouched by the growth of the secondaries market"

SCOTT REAMER

No part of the private asset management industry will be left untouched by the growth of the secondaries market and firms must review their entire value chain right up to asset gathering, to understand how to take advantage of this opportunity to achieve competitive internal rates of return and raise more assets than their competitors.

Just as the people, processes and technology required to prepare for an IPO differ to that required to prepare for a sale to another financial sponsor, the secondaries market has its own idiosyncrasies as well. GPs must make sure they have the right operating model in place to execute against the novel challenges of the secondaries market. This is a crucial point in the evolution of the private markets industry and private equity firms will soon need to adapt.

Q Do you believe that the growth of the secondaries market will drive further outsourcing in the private markets industry?

WA: The growth of the secondaries market is yet another catalyst prompting private equity firms to focus intensely on ensuring they have a well-designed back-office operating model that is built for both the current and future state of their business.

Historically, many firms approached the insource vs outsource decision at the functional level (ie fund admin, compliance, management company, FP&A, tax, etc), but the focus must now shift to designing a truly integrated back-office across all areas.

As dealmaking and reporting needs continue to evolve in the fast-paced secondaries market, firms need to focus on designing a scalable, fungible and flexible operating model that can accommodate operating data flow from these deals across the operational functional areas, as well as anything else that may come our way over the next few years.

In general, the growth of the private equity secondaries market is likely to drive further back-office outsourcing in the private markets as firms seek to enhance operational efficiency. PE firms want to remain focused on running the strategic elements of their business and front office as well as navigate the complexities of the expanding market.

SR: Over the past two decades, this industry has seen many structural changes that have affected the way asset managers run their businesses. This is the latest of those changes, although it may well prove to be among the most important. Historically, whenever there has been a structural change in the operating environment, it has forced renewed discipline on the division-of-labor dynamic. Managers have had to reconsider how they allocate the limited time and resources within their value chain.

Introducing a new liquidity source with its specific requirements will lead proactive firms to reassess which business functions should be retained internally and which should be outsourced. The discussions we are having with chief financial officers and managing partners regarding target operating models primarily focus on these divisions of labor. GPs must determine what is fundamental to the enterprise value they aim to enhance through their operations and where they should concentrate their efforts.

We think that the growth of the secondaries market serves as a catalyst for this inward reflection and reanalysis of the division of labor. Some managers may decide to develop the necessary skills in-house to exit via the secondaries market. Consequently, they might consider outsourcing other aspects of their business that are less central to the enterprise value they aim to create. ■

Scott Reamer is a senior director of enterprise strategy and William Andreoni is a partner and co-leader of RSM Fund Services+ at RSM US

Tracking 2024's CV deals

Last year saw 70 continuation vehicles close, according to data gathered by Secondaries Investor for its first-ever CV deal log. By Silas Sloan

GP-led secondaries were firing on all cylinders last year, recording between $65 billion and $75 billion, according to adviser reports for 2024.

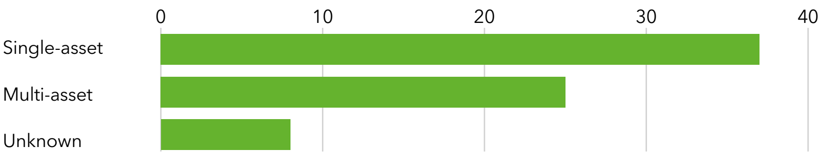
Affiliate title *Secondaries Investor*'s CV Deal Log 2024 comprises known and disclosed continuation vehicles based on our own reporting, the *Secondaries Investor* database, press releases and media reports. The log shows any CV process that launched, was closed or where firms were mulling a continuation fund between January 1 and December 31, 2024.

Based on our findings, there were 105 CVs that were reported on or disclosed that fell into one of those three buckets. Of those, 70 funds were closed.

North America saw the most closed CVs last year, with 32 counted. North America accounted for around 66 percent of GP-led deal volume last year, according to Lazard's 2024 secondaries activity report. European activity made up circa 30 percent of the market with Asia and the rest of the world comprising the remainder.

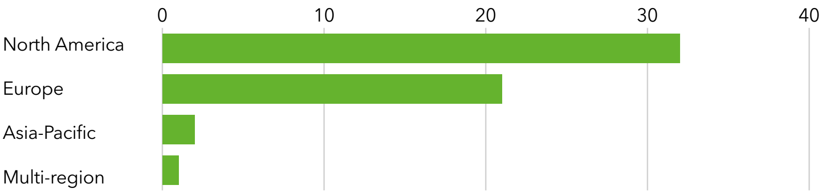
There were 37 single-asset CVs closed last year, more than the 25 multi-assets that closed. This is in line with data from Campbell Lutyens' year-end report, which found single-asset deal volume increased 81 percent from 2023 to 2024. When broken down by key regions, North America closed 28 percent in multi-assets and 72 percent in single-assets. Three CVs tied for the title of largest deal size, each totalling $3 billion. Two – multi-assets from General Atlantic and New Mountain Capital – launched in 2024, while KSL Capital Partners closed its single-asset deal for Alterra Mountain Company. ■

Number of closed funds by type



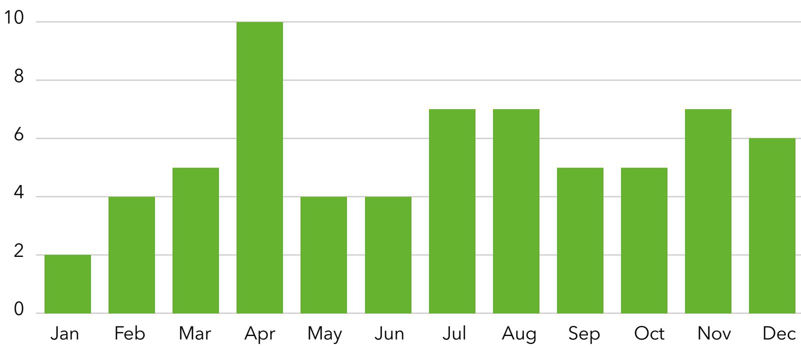
The universe of CV fund deals represented here is not exhaustive, but includes all deals we have been able to verify for 2024

Number of closed funds by region of asset(s) headquarters



This chart excludes deals where the associated region was unknown

Number of closed funds by month in 2024



The universe of CV fund deals represented here is not exhaustive, but includes all deals we have been able to verify for 2024.
Source: PEI reporting. Data last updated February 27, 2025

Due to the private nature of private markets and the secondaries industry, some data is difficult to ascertain. In such cases, we have noted this as 'NA'. While we strive to include as many CVs as possible, there are likely some that have not been included or their data is unavailable

Volatility a trial by fire for evergreen community

Tariff turmoil could battle test the resolve of individual investors and their suitability for the burgeoning community of semi-liquid private markets funds, writes Alex Lynn

Private equity and secondaries managers participating in the evergreen boom are often keen to stress that these products must be approached with a long-term view. Recent market volatility could prove a trial by fire for individual investor resolve.

The number of managers with at least one semi-liquid private markets vehicle has skyrocketed in the past couple of years. According to investment consultancy Bfinance, the market for semi-liquid PE funds grew to more than 40 unique strategies between 2020 and 2025, with an estimated $30 billion in assets under management.

Multiple managers have launched or plan to launch dedicated secondaries evergreens in recent months, including Franklin Templeton and Lexington, Hamilton Lane, Coller Capital and Ardian, while other private markets evergreens look to secondaries as a component of their overall strategy.

Private wealth vehicles like '40 Act funds represented nearly one third of secondaries market fundraising in 2024, according to a year-end report from Jefferies. The investment bank expects that a further $24 billion will be raised by evergreens to deploy into the asset class this year.

Most private markets evergreens today offer either quarterly or monthly redemption windows. Products are usually gated, meaning only a small proportion – typically 5 percent – can be redeemed in any one window.

Recent tariff turmoil had raised the possibility of a knee-jerk reaction among individual investors that could lead to a run on evergreens. Ares Management chief executive Michael Arougheti sought to reassure analysts on an earnings call in May that the firm did not see any "meaningful change in [investor] behavior" in April within CADC, its credit interval fund.

Hamilton Lane is also understood to have not seen a rise in redemptions across its evergreens, while a spokesperson for Neuberger Berman said redemptions were close to 0 percent in April for its NB Global Private Equity Access Fund. Apollo, KKR and Blackstone noted that new investor appetites for these products appeared undented as a result of volatility.

Education around the liquidity – or lack thereof – in these products has long been considered paramount to their success. As Christian Wicklein, Partners Group's co-head of global private wealth, told affiliate title *Private Equity International* in 2023, GPs in this space don't want to attract people with a "trading mentality."

Still, investors have fallen afoul of this dynamic before. Blackstone Real Estate Investment Trust made headlines in December 2022 after a string of requests – reportedly driven by trouble in Asian investment markets – triggered a gating on redemptions. BREIT did not meet 100 percent of its monthly redemption requests again until February 2024, affiliate title *PERE* noted.

The full impact of tariff volatility on evergreens may never become clear as regulation regarding disclosures differs. Some vehicles aren't required to disclose redemption figures and may only do so voluntarily. Others may report these as shares repurchases, sometimes conducted via tender offers and sometimes not, with some delays before public availability. Others are required to disclose repurchase offers but not the results of those offers, further complicating the picture.

That said, affiliate title *Secondaries Investor* understands that many US-registered vehicles are required to disclose to investors and the regulator if funds become gated – an event that brings with it the high chance of becoming public knowledge.

Should evergreens escape this tumultuous period without such a move, this affair could help validate the industry's relentless push into semi-liquid space and the suitability of these products for the wealth channel at large. ■

Carmela Mendoza and Madeleine Farman contributed to this report

KEYNOTE INTERVIEW

Market innovations in deal structures and approaches

As the market matures, new sources of capital and new applications for existing technology are emerging, say Fried Frank's Andrew Rearick and Andy Varney

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Q How would you describe the market demand for secondaries now?

Andrew Rearick: We are in an extraordinarily buoyant market and have been for some time. The secondaries market's size is largely a function of the underlying private capital market and has been growing strongly over the past 25 years. That being said, the size of the secondaries market still lags behind and has some way to go to catch up to the scale of the underlying market.

In terms of supply, it is no secret that some of the traditional sources of liquidity in private capital have gone through challenging periods. The IPO markets have been fairly disrupted around the globe for some time, and we have been witnessing choppy M&A activity volumes. For private capital investors, that has meant looking for other sources of liquidity, which is where the secondaries market comes into its own.

Andy Varney: On the demand side, even after a series of record volume years, the amount of dry powder available for new growth in secondaries remains significant. Several funds and capital sources focused on this area are now raising capital for sector-specific strategies, like infrastructure, real estate and private credit secondaries.

Further, the recent market turmoil in the US has resulted in some hesitation on new transactions. The prevailing wisdom coming into this year was that lower rates and reduced regulatory hurdles would accelerate dealflow. But as it turns out, that turmoil has meant even fewer exits and more muted IPO activity for private equity sponsors, which – along with the denominator effect – creates favorable conditions for increased secondaries activity. We have seen some very large portfolios coming to the market in the last few weeks and that is at least in part a result of some of those macro factors.

Q What new deal structures and processes do you see emerging as the market matures?

AV: We have not necessarily seen a lot of new structures, but over the last few years there has been a proliferation in the variety of deals coming to the market. There are the staple LP portfolio secondaries, the GP-led transactions and in addition there are now a range of other alternatives such as NAV financings, preferred equity investments and other structured liquidity arrangements using forward sales or swaps.

Part of that innovation is driven by new players entering the market. Those that come to this market with a credit background rather than from M&A, for example, are bringing different approaches.

AR: We are definitely seeing new applications of existing deal technology. We are seeing a lot more asset class and strategy segmentation around infrastructure, credit and real estate. The underlying transactions and deal structures involved in those are different to buyouts, often due to tax or regulatory reasons specific to those asset classes.

The secondaries market grew up around private equity buyouts as a strategy but, as it expands into these new areas, we are starting to see the use of new structures appropriate for different underlying asset classes. A lot of innovation will be driven by the need to address issues arising out of those newer parts of the market.

Q What role might emerging tech, like artificial intelligence, play in secondaries going forward?

AV: We have not seen new technologies making a meaningful impact yet. Over time, I hope tools will be developed that allow buyers to more efficiently diligence the terms of a portfolio of underlying funds. That is most relevant in the LP portfolio space where there is a huge volume of documents for buyers to digest. Continuation vehicle transactions are much more bespoke and less likely to benefit from AI efficiency gains in the same way.

AR: In some respects, secondaries investors were the original data aggregators within private equity. They are invested across many funds and have a lot of data. It has been a long-running conversation to figure out how best to access and utilize that data to do deals more efficiently and with better information. AI is just the latest element of that conversation, and we are not yet sure how it will make its mark.

Q What opportunities and challenges come with the rise of DIY continuation vehicles?

AR: We have seen a number of transactions in the last 12 months that have involved sponsors effectively running CV processes themselves. That is a somewhat surprising development given the Institutional Limited Partners Association guidance last year that reiterated previous guidance saying that having third-party advisers, including financial advisers to run price discovery processes, was considered best practice.

It is probably tempting for general partners to run these processes to reduce the friction costs, particularly in instances where they may have recently done third-party transactions that will help with pricing.

We do also see a growing acceptance and familiarity with GP-led transactions across the underlying sponsor market. Recent data suggests more than a majority of private equity GPs have done or are doing a CV transaction, so many do now have some experience with them and have built up some institutional knowledge and see how they can manage these processes in-house. Where it used to be financial advisers that were going to sponsors to suggest these deals, it is now sponsors that are looking at their portfolios proactively and identifying these opportunities.

My view would be that DIY CVs raise a lot of challenges, but that there will be a temptation among particularly large managers to propose liquidity opportunities to their investors on an institutionalized basis. This is a way in which they can make available LP liquidity opportunities with minimum friction costs, which is ultimately what LPs are looking for.

"There is a good deal of capital flowing in, more competition and new transaction structures emerging"

ANDY VARNEY

"We are definitely seeing new applications of existing deal technology"

ANDREW REARICK

AV: It is possible that some sponsors will go on to develop their own CV investment pools to provide capital to their main buyout funds. I could imagine that happening in the same way that opportunity funds sell investments to core and core-plus funds in the real estate space.

We have seen some of these DIY transactions in the US, particularly where there has been a significant amount of new capital provided by affiliated sponsor vehicles. In larger deals, you are not going to get a single investor able to write a check for the lion's share of an investment. You need to put together a syndicate of new money for the deal and that is where the intermediaries typically add value.

Q How are new sources of capital impacting the secondaries space?

AV: In addition to traditional secondaries funds, we have seen sovereign wealth funds getting involved in this business directly. We have also seen NAV or preferred equity financing providers coming in, and buyout funds setting up their own CV platforms to participate on the buyside in CVs of other sponsors' investments. So, there is certainly increased competition.

The mindset may be different from each of those constituencies, with each bringing something different to the table. They are each pitching a slightly different type of solution to the sponsors they provide capital to.

AR: The other important source of new capital that has begun to impact the market is the private wealth channel, with a lot of retail or semi-liquid funds raised over the last couple of years. In Europe we have seen a real push in that direction. Those vehicles have slightly different imperatives to 10-year closed-end funds in that they raise capital that they must deploy straight away.

On the LP portfolio side, that has been perceived as a new source of capital that will change the dynamics in the market in the short term. Those new players are not changing the way that deals are done, but they are impacting pricing and terms, because they have this incentive to deploy quickly.

The other impact of that new capital is the sheer size of the potential investor base in a market that has traditionally been undercapitalized. Being able to access that more retail-like investor base could really accelerate the growth of the secondaries market.

With more capital, the market will have the ability to bring liquidity more effectively to the large-cap space. Traditionally, secondaries have primarily operated in the mid-market and at times has struggled to do very large deals. An influx of new capital will facilitate the market moving up to larger-scale transactions.

Q How do you expect the market to look different a few years from now?

AV: I am pretty optimistic about the ongoing growth and evolution of the market. There is a good deal of capital flowing in, more competition and new transaction structures emerging. If interest rates do come down, we might start to see leverage being used creatively in CV transactions in a way that makes them look a bit more like regular M&A deals. That might in turn allow funds to write bigger checks.

The trends we have seen over the last couple of years, of longer hold periods and contributions outpacing distributions, all bode well for continued growth in the secondaries space.

AR: The market is maturing and with that we are seeing more segmentation and specialization. Those trends will continue, with large-cap managers potentially accessing the secondaries market differently in the future to the way smaller and mid-cap managers access it.

Every sponsor is now thinking about how to use secondaries for their own purposes and that is a really encouraging development for growth, particularly on the GP-led side. On the LP side, growth of the secondaries market is going to be driven by the growth of the underlying alternative assets market and investors' perennial desire for liquidity. That may be tied to M&A market activity, but it might also be tied to each LPs' own portfolio management and rebalancing needs. ■

Andrew Rearick is an M&A and private equity partner, and Andy Varney is an asset management partner at Fried Frank

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Next Gen Leaders class of 2024

The ninth iteration of the list reveals last year's most impressive secondaries individuals under the age of 36

Last year's list of the most impressive secondaries professionals under age 36 saw the highest number of submissions in the ranking's history. With almost 400 nominations to sift through, the editorial teams of affiliates *Private Equity International* and *Secondaries Investor* certainly had their work cut out. The 10 people who made 2024's Next Gen Leaders of Secondaries list stood out for their technical skills, leadership qualities and sense of innovation, while also displaying the elusive X factor. They have all contributed toward expanding the secondaries market across geographies and asset classes, helping to create a larger pie for all. ■

William Boyle

Executive director

Morgan Stanley

With a nearly decade-long tenure in the secondaries market, William Boyle has certainly left his mark on the industry. He has advised on a wide range of global deals ranging from LP portfolio sales and tender offers to IPOs.

Sijia Cai

Partner

Davis Polk & Wardwell

The youngest partner in Davis Polk's investment management practice, Sijia Cai has already established herself as – according to one industry peer – a "trailblazer" in secondaries. Cai has advised on more than $20 billion of secondaries transactions for some of the most active buyers and sellers in the market.

Corey Dietrich

Partner

Proskauer Rose

Thoughtful, articulate and wise beyond his years: that's how colleagues described Corey Dietrich throughout the nominations process. He has worked on more than $8.5 billion-worth of secondaries transactions in 2024, including more than 30 traditional LP trades and sponsor-side liquidity solution transactions.

Sabrina Harliman

Principal

TPG

A vice-president within TPG's GP solutions business, Sabrina Harliman has been at the firm since 2022 and marked the team's second hire in London. Notable transactions include Oakley Capital's €1 billion-plus continuation fund around IU Group, and IK Partners' €500 million continuation fund for Yellow Hive.

Wafiq Islam

Vice-president

Lazard

Wafiq Islam started out as an analyst in 2017 in Lazard's London office, and has since been promoted to vice-president. He advises on the divestiture of private fund interests, LP-led liquidity solutions, spinouts of management companies and GP stakes, as well as GP-led deals.

Alex Longden

Managing director

Evercore

Alex Longden has more than a decade of experience in the secondaries and M&A advisory markets. Since joining Evercore in 2018, he has advised on $13 billion of transactions across multiple deal types, including single- and multi-asset recapitalizations, continuation/acquisition funds and strip sales.

Josef Menasche

Managing director, co-head of secondaries advisory

Goldman Sachs

"Very analytical and meticulous" is how one of Josef Menasche's peers describes him. Co-leading the firm's secondary advisory group at age 33, he was promoted to managing director and was deemed "instrumental" in building out the firm's secondaries business.

Kristine Robinson

Director, secondaries advisory

PJT Park Hill

Kristine Robinson is credited with co-leading and developing PJT Park Hill's Canadian secondaries coverage. With eight years of experience at Lazard, Coller Capital and now PJT Park Hill, Robinson is known to have advised on over $12 billion of both GP- and LP-led transactions throughout her career.

Alex Truss

Principal

FoxPath Capital Partners

Alex Truss joined specialist secondaries firm FoxPath as a principal after spending more than two years as a founding member of Apollo Global Management's S3 unit. He is noted for being an "early pioneer" and "experienced practitioner" of the institutional credit secondaries market.

Peter Wright

Director, NAV lending and GP financing solutions

Hark Capital

Described as a "beacon" for aspiring professionals, Peter Wright has been instrumental in cultivating the next generation of secondaries talent. In 2021, he founded the Diversity in Secondaries Initiative, a non-profit providing training, mentorship and internship opportunities to undergraduates.

KEYNOTE INTERVIEW

Mid-market secondaries thrive despite volatility

During periods of market dislocation, mid-market secondaries can be a compelling strategy for investors to consider, says Matthew Sparks, a managing director at Northleaf Capital Partners

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Q How would you describe the current secondaries landscape, and what are the principal drivers of activity on the buyside and sellside?
The year started with what was probably the largest-ever quarter for the secondaries market to date, with very strong activity in both LP-led and GP-led transactions.

A lot of that volume was driven by the fact that there is an increasing number of investors using the secondaries market to actively manage their portfolios, and we're seeing experienced secondaries sellers returning to the market on a systematic basis. As we came out of the first quarter, new tariff policy announcements from the US administration created volatility in financial markets and significant uncertainty for companies.

The resulting disruption caused a pause as both buyers and sellers thought through how to approach the secondaries market and tried to determine what the new outlook would mean for pricing.

Fast forward to early May, and there is a bit more certainty as trade deals are negotiated. We expect to see a slight decline in pricing compared to the first quarter as we experience a softer M&A market and weakening consumer sentiment. However, the market appears to be functioning normally again with an increase in activity into the second half of Q2.

Q What challenges and opportunities are presented by the market environment today? How might it impact dealflow and pricing?
The secondaries strategy has historically been an all-weather strategy, and during times of dislocation, you can

find very attractive opportunities. Market volatility will likely limit exit activity and continue to impact distributions from private equity funds. Investors are experiencing this in their portfolios and are looking to the secondaries market as a tool for providing liquidity. We expect the market will see strong volume through 2025 with compelling opportunities for secondary managers.

In terms of pricing, we may see pricing shift downward, and that could slightly offset the market forces driving increased dealflow. One reason the first quarter was so buoyant was that pricing was nearing 2021 levels, which meant more price-sensitive buyers were willing to come to the market to trade. Moving forward, we still expect to see attractive optical pricing levels driving activity, and the challenge will be to navigate the uncertainty and volatility that still exists.

There is a potential for tariff policy to continue to shift over the coming weeks and months, creating a real challenge on the buyside as investors try to think through and understand the implications as they price deals.

Q Why are mid-market secondaries a good strategy in times of dislocation?

We anticipate that there will continue to be attractive opportunities in mid-market secondaries. Regardless of the market environment, mid-market buyers who approach secondary opportunities by taking a bottom-up approach, building up the analysis at the company level, are well positioned. Being able to underwrite at the company level helps to identify both the opportunities and challenges dislocation presents.

On the one hand, secondary managers can identify the companies and sectors that they feel are going to be more insulated with stronger growth. On the other hand, mid-market companies tend to be more domestically focused compared to larger market assets, which have global supply chains and global revenue bases. Therefore, it is arguably easier to assess tariff exposure with a mid-market asset, and often that exposure is limited.

Also, mid-market companies typically have more levers for value creation compared with the larger market. They tend to be acquired at lower purchase price multiples and use more modest leverage. Given their size, they are also typically nimbler and faster to react to changes in policy and macroeconomic dynamics, which positions them well in times of market dislocation.

Q How do risks and returns shape up in the mid-market versus other secondaries strategies?

We believe you can generate a higher return in the mid-market because it is more inefficient. In the larger market, buyout funds have a significantly larger number of LPs, so many investors have information on these funds and their assets. In the mid-market, funds tend to have fewer investors, which limits the knowledge base for these companies.

Firms that specialize in the mid-market and have built strong relationships with fund managers are well-positioned when portfolios and assets are being sold on the secondaries market. This focus and access create an information advantage. With fewer participants operating in this segment, there is an opportunity to dig deeper into a portfolio and develop a more thorough understanding of the underlying assets.

Q What should investors consider when trying to access the mid-market?

First and foremost, LPs need to look for a manager that has the network and relationships in the mid-market. Information creates opportunity in this market, and so, for example, groups that have an active primaries program with relationships and investments across the market have a clear edge.

It is also helpful to work with managers that have broader platforms. We find that managers with multiple asset classes focused on the mid-market allow the manager to have more touchpoints with sponsors and to build relationships, generating dealflow.

Ultimately, a mid-market manager that generates significant dealflow can be selective and zero in on the opportunities that are going to provide the best risk-adjusted returns. Lastly, having a broad reach is useful, which includes being able to invest globally. An international presence can be a differentiator in providing investors with additional diversification.

Q How do you see the mid-market opportunity evolving over time?

We see the mid-market opportunity continuing to grow in the secondaries market. We really think about two variables driving secondaries volume. The first is the amount of private equity net asset value, which currently sits at over $3 trillion and continues to grow as investors increase their commitments to the asset class and sponsors hold assets for longer.

The other component is the turnover rate, so how often sellers access the secondaries market. We know that this rate is increasing. Last year, ~40 percent of LP sales were completed by new sellers in the secondaries market, so there are still people learning and adding this tool to their toolkit. Those sellers may become repeat sellers and more sophisticated players, which will further fuel market growth.

The recent volatility has certainly resulted in a softer M&A market, and when there is a softer M&A market and fewer private equity distributions, investors will look to the secondaries market to provide liquidity in an illiquid asset class. That is a bit of a hedge that keeps the secondaries market functioning as an important part of the overall private equity ecosystem, and that is why we expect this strategy to continue to do well across market cycles. ■

From strength to strength

Enthusiasm for GP-led secondaries has pushed pricing higher over the past year, leading to ever more ambitious returns targets and hotspots forming in certain industries, Lazard data suggests

48%

GP-leds' estimated share of the secondaries market in 2024

$152bn

Estimated aggregate secondary deal volume last year

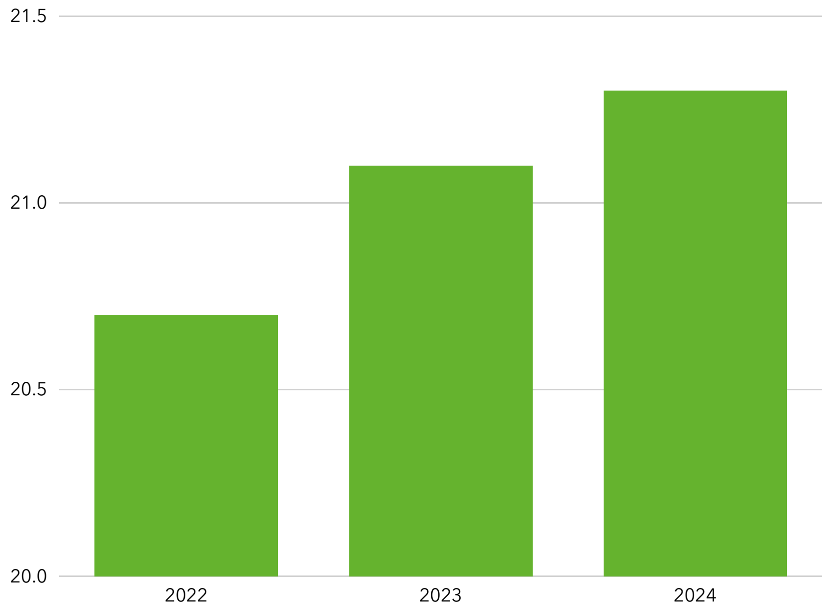
56%

Share of single-asset secondary deals that priced at or above par in 2024

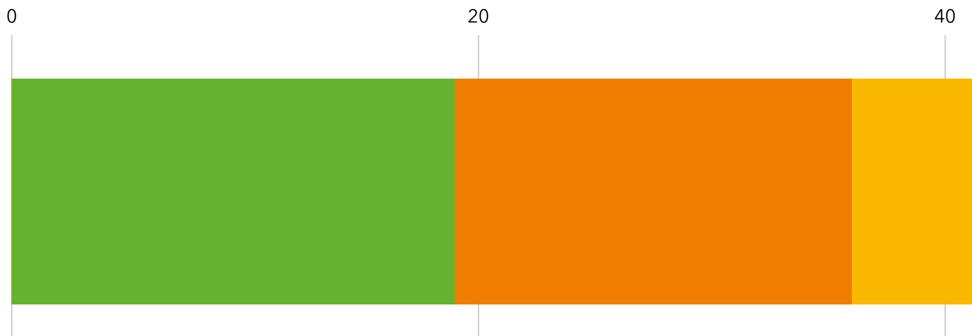
14%

Share of lead investors reporting an average GP-led commitment of more than $20m

Net IRR targets for single-asset GP-leds have continued to climb (%)



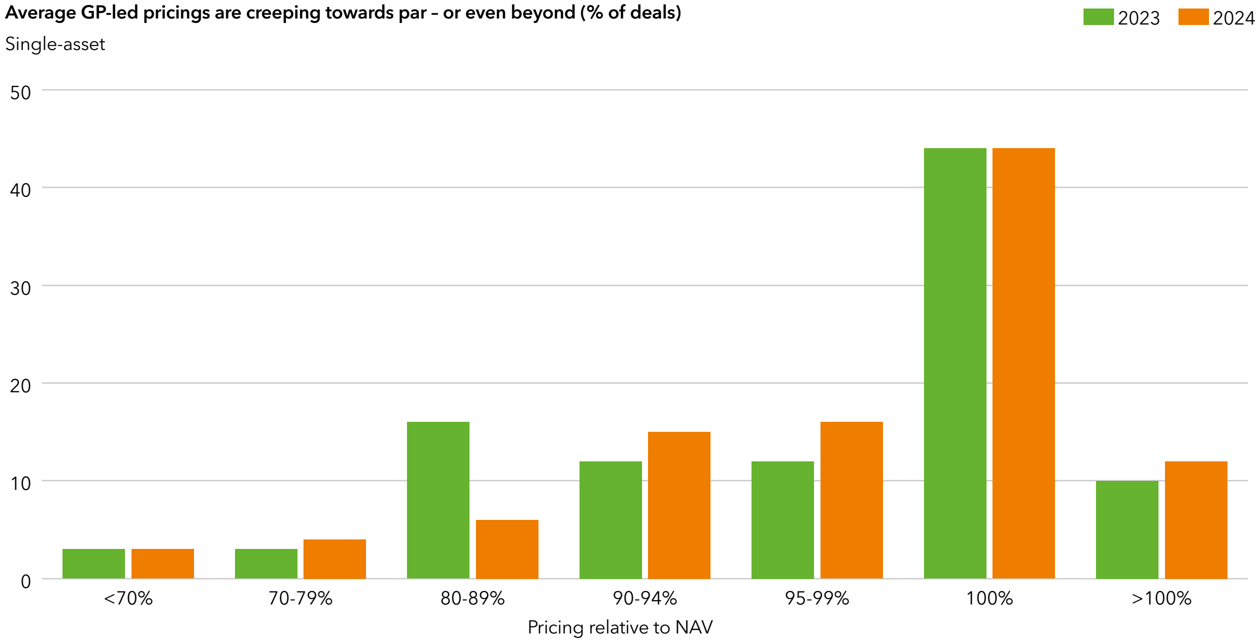
Technology and healthcare are leading the way for single-asset GP-led deal volume (%)



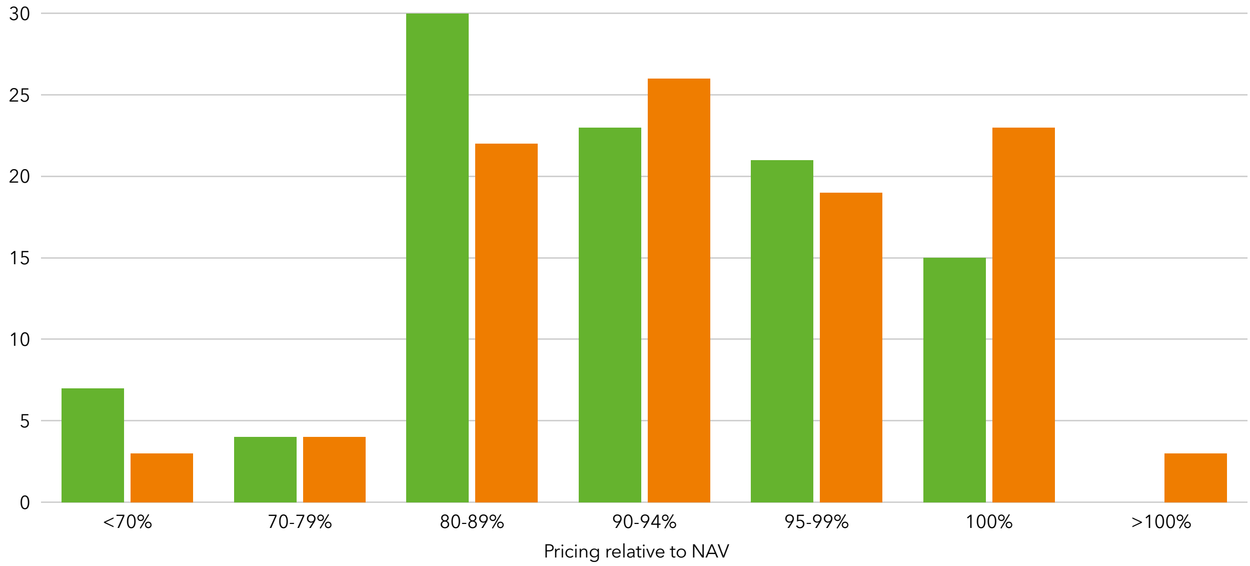
Source for all data: Lazard

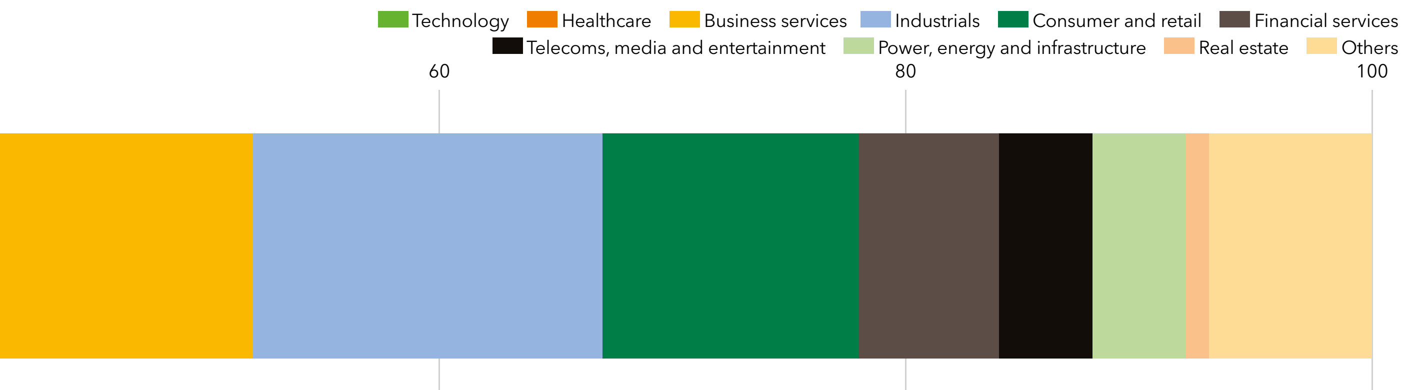
Average GP-led pricings are creeping towards par – or even beyond (% of deals)

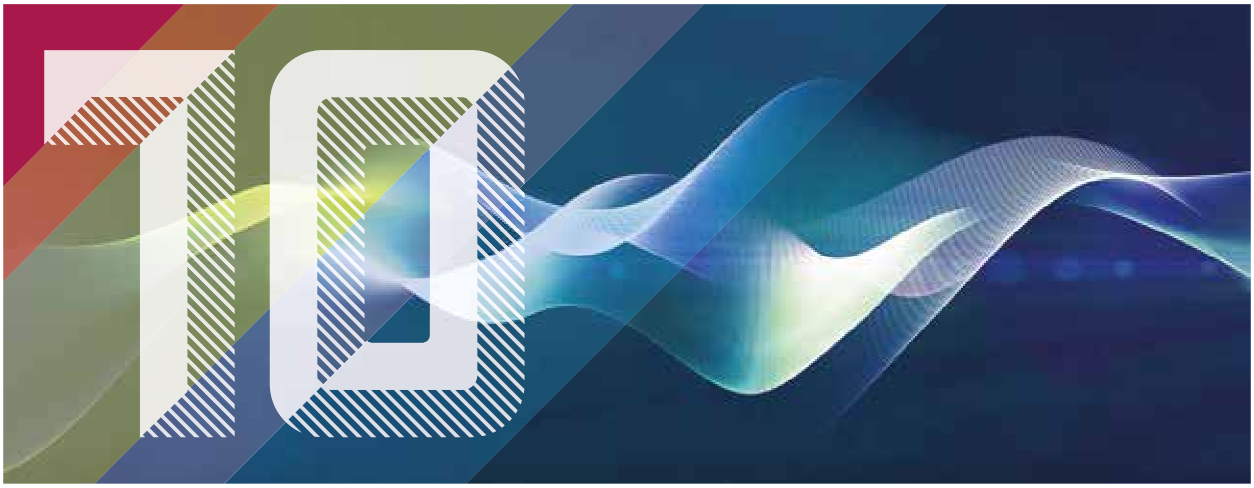
Single-asset



Multi-asset







Opening secondaries doors to students of color

In a Second Thoughts podcast, Peter Wright, founder of the Diversity in Secondaries Initiative, talks to Madeleine Farman about why he set up the non-profit and its key achievements

Within private markets asset classes, there is certainly room for improvement when it comes to diversity of talent – and one secondaries professional is taking matters into their own hands.

Diversity in Secondaries Initiative (DISI) is a non-profit organization focused on creating a more collective environment within the secondaries market for people of color. Primarily, it seeks to find more opportunities to mentor, train and ultimately fill junior-level roles in the market with students in undergraduate programs.

In this *Second Thoughts* podcast with affiliate title *Secondaries Investor*, Peter Wright – a director advising on NAV lending and GP financing at Hark Capital and founder of DISI – speaks with editor Madeleine Farman about the driving purpose behind the non-profit.

"There's a lot of wealth to be created within our families, within our communities," Wright says. "It's important for us all to make sure that we are acknowledging the ladders that have been let down for us to climb up, while also making sure we're turning back around and lowering those ladders for the next generation to come up forward."

Wright also discusses his own personal motivations for starting the organization, DISI's key achievements to date and constructive feedback for the secondaries market when it comes to hiring a diverse range of talent. ■

Scan the QR code to listen to this episode and more from Secondaries Investor's Second Thoughts podcast series