BEYOND LIQUIDITY:

THE STRATEGIC ROLE OF PRIVATE EQUITY SECONDARIES

The private equity secondary market has transformed from a niche outlet for distressed sellers into a central tool for institutional portfolio management. Annual transaction volume (Exhibit 1) in the market reached $160 billion in 2024, a record high, and is on pace to exceed $200 billion in 2025.

The evolution of secondaries reflects more than just market expansion; the role they play in portfolios has also fundamentally shifted. Once seen as a tactical solution to create liquidity in extraordinary circumstances, secondaries now provide a mechanism for institutional investors to rebalance portfolios, maintain pacing commitments, and gain access to proven assets at attractive entry points.

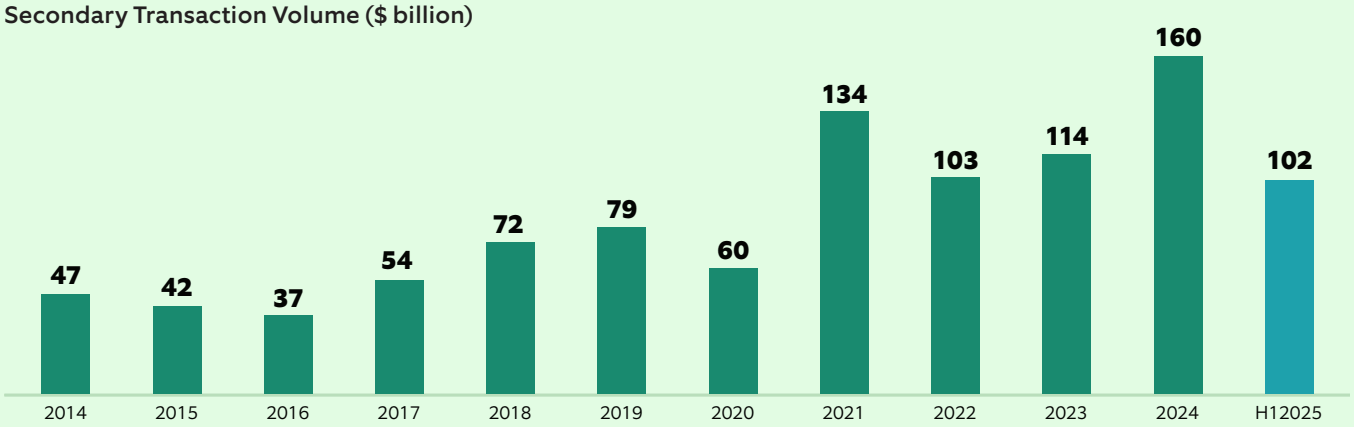
For investors navigating slower distributions and tighter liquidity today, secondaries have become one of the most important levers in the private markets.

EXHIBIT 1

RECORD-BREAKING SECONDARIES MARKET

Secondary transactions hit a record high in 2024 and are on pace to shatter that record in 2025, reflecting the increasing importance of secondaries in institutional portfolios.

Secondary Transaction Volume ($ billion)



Source: Evercore Private Capital Advisory, "H1 2025 Secondary Market Review," July 2025.

SOLVING THE LIQUIDITY PUZZLE

Private equity's defining feature has always been illiquidity: Investors commit to closed-end funds with 10- to 12-year lives and little flexibility along the way. Secondaries have reshaped this dynamic, giving allocators a way to unlock liquidity and rebalance portfolios without waiting for the traditional exit cycle.

Today, institutional investors use secondaries to manage several recurring challenges:

- **Pacing and vintage year diversification:** Selling interests in older funds provides liquidity to recommit to new vintages, helping investors maintain programmatic allocation targets. This is particularly relevant during periods of low distributions, such as the current environment in which initial public offerings and acquisition activity has been relatively muted.
- **The denominator effect:** When public markets decline, stickier private equity allocations often rise above policy targets. Secondaries provide a release valve without requiring a full exit from the asset class.
- **Portfolio rebalancing:** Allocators may wish to adjust exposures across strategies or geographies. Secondary sales allow them to tilt portfolios without disrupting long-term commitments.

Seller behavior has also evolved. Pensions and endowments often transact due to allocation constraints, while new entrants are increasingly using the market dynamically, rebalancing and optimizing positions much like public equity portfolios.

A BUYER'S MARKET WHERE CAPITAL IS SCARCE

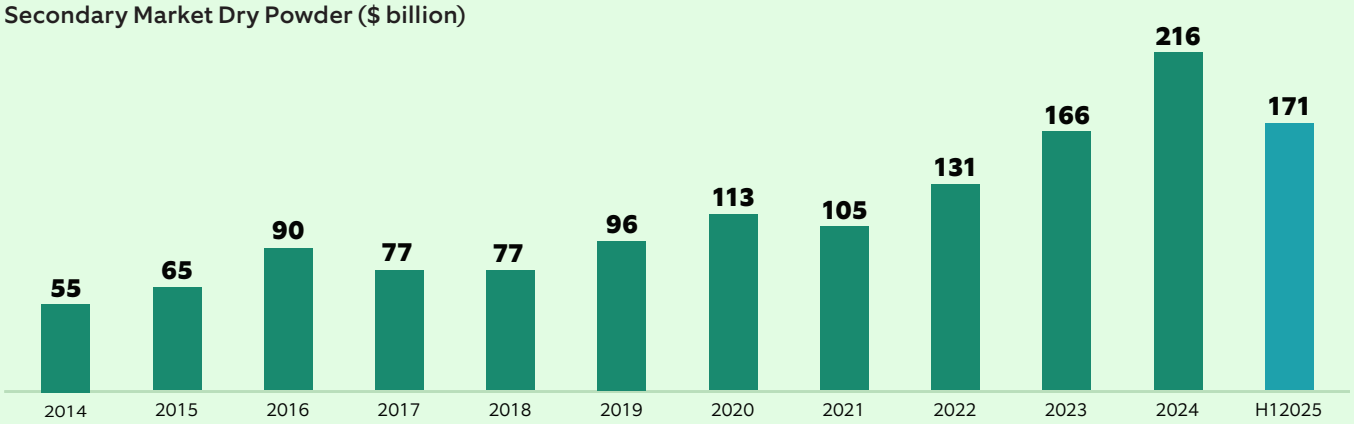
Even with record secondary volumes, the buy side remains undercapitalized. Global dry powder stood at $171 billion as of the first half 2025 , roughly equivalent to one year of secondary deal flow. This imbalance stems from faster deployment and limited distributions in primaries, which leave pensions and endowments with fewer dollars to recycle into secondaries.

EXHIBIT 2

LIMITED COMPETITION AMONG BUYERS

Dry powder for secondaries is roughly equivalent to a year of secondary flow, limiting the competition among buyers to invest in the growing secondaries market.

Secondary Market Dry Powder ($ billion)



Source: Evercore Private Capital Advisory, "H1 2025 Secondary Market Review," July 2025.

[1] Evercore Private Capital Advisory, "H1 2025 Secondary Market Review," July 2025.

For buyers, this shortfall leads to opportunity. With more sellers than buyers, investors with capital can be selective, focusing on high-quality opportunities at attractive entry points. Lower-quality assets often fail to find bids, while portfolios of top-quartile managers continue to clear the market.

Yet competition is intensifying in some corners of the market. Perpetual retail-oriented funds have driven aggressive bidding in some cases, which narrows discounts and raises concerns of overheating. This bifurcation underscores the importance of disciplined underwriting and differentiated access to relationship-driven investment opportunities.

For allocators, the key takeaway is that while the supply-demand imbalance currently favors buyers, outcomes can vary. Firms with longstanding general partner (GP) relationships, proprietary information advantages, and the ability to move quickly are best positioned to capture the most attractive opportunities.

GP-LED CONTINUATION VEHICLES:

EXTENDING OWNERSHIP, UNLOCKING LIQUIDITY

The rise of continuation vehicles (CVs) led by GPs is one of the most important structural shifts in secondaries. From negligible activity before 2019, CVs now account for nearly half of annual secondary deal volume.

CVs allow general partners to transfer one or more portfolio companies into a new vehicle. Existing limited partners can sell for liquidity or roll forward, while new investors may provide fresh capital. For general partners, CVs extend ownership of strong companies in a slow exit environment. For investors, they provide access to high-quality assets with known performance, often underwritten at higher target returns than traditional secondary portfolios.

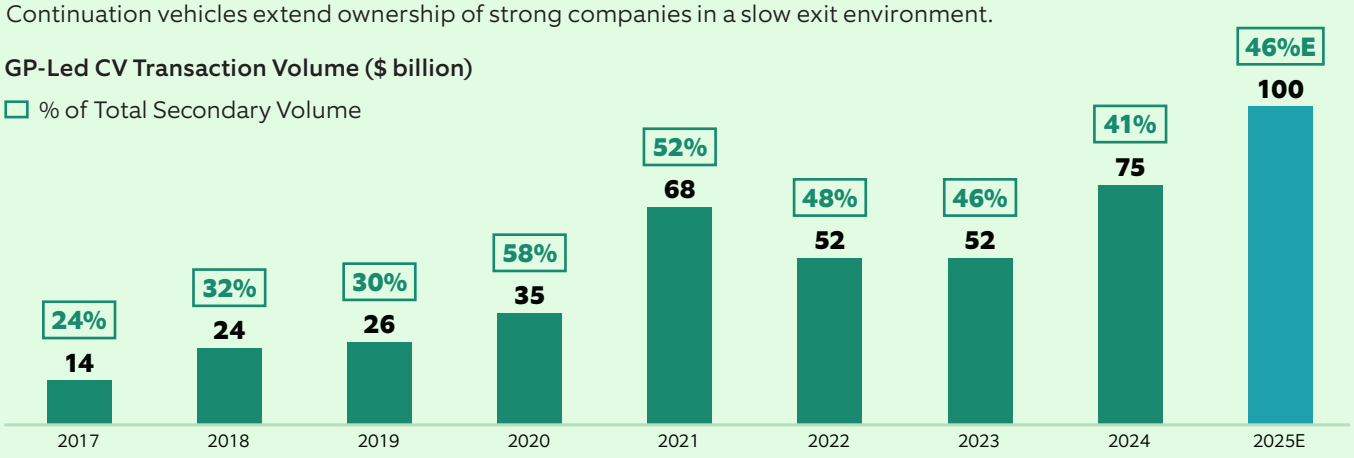
The market is also evolving. Multi-asset and mid-market CVs are growing, alongside "CV-squared" structures where assets move from one continuation vehicle to another. While innovation broadens access, it raises alignment questions. Investors must ensure sponsors roll meaningful economics and that assets truly merit extended ownership.

For allocators, CVs are no longer a novelty—they are becoming a mainstream tool, potentially even a substitute for traditional buyouts in certain portfolios.

EXHIBIT 3

CVs GROW WHILE EXITS SLOW

Continuation vehicles extend ownership of strong companies in a slow exit environment.



Source: Jefferies, "H1 2025 Global Secondary Market Review," July 2025. 2025 is a estimate.

[2] Jefferies, "H1 2025 Global Secondary Market Review," July 2025.

CREDIT SECONDARIES:
THE NEXT FRONTIER

Private credit secondaries are following the same early trajectory as private equity secondaries. Volumes have tripled since 2023, from $6 billion to an expected $18 billion in 2025 . Turnover (secondary volume as a percentage of total deal volume) remains low, but momentum is strong.

Credit secondaries offer shorter duration, faster cash flows, and generally lower return multiples. They appeal most to investors seeking immediate and diversified exposure to the asset class. Credit secondaries are also particularly well-suited for perpetual fund structures given their attractive cash flow characteristics. Still, credit secondaries remain an adjacent frontier rather than a central driver of the market today.

For investors, credit secondaries represent a promising but still developing tool—one that could become a much larger part of the market in the coming years.

WHO IS BUYING SECONDARIES, AND WHY IT MATTERS

While institutions remain the core buyers of secondaries, the investor base is broadening. Family office activity has increased substantially, reflecting a more sophisticated use of secondaries. They are now both buyers and sellers, using the market dynamically to adjust exposures and manage liquidity rather than transacting solely for cash needs. Retail participation is also rising, largely through evergreen and ‘40 Act structures.

These new entrants introduce challenges. Evergreen funds may struggle to deploy capital during downturns, as retail investors are more likely to redeem than invest in a declining market environment. This could lead to liquidity mismatches between underlying assets and fund structures.

Despite an influx of new participants, competition for deals remains concentrated. We estimate that only about 100 secondary funds are active today globally, and most transactions involve a small handful of approved buyers. Barriers to entry remain high:

- GPs generally must approve secondary transfers.
- Effective underwriting requires longstanding relationships and proprietary data.
- Many top-tier GPs only transact with buyers who also support their primary fundraising.

For allocators, this means the secondary market may be bigger and noisier, but success is still driven by access and specialization.

SECONDARIES AS A STRATEGIC ALLOCATION

The role of secondaries is increasingly defined by two forces: the use of secondaries as a proactive portfolio management tool and the rapid rise of GP-led continuation vehicles. Together, these forces have elevated the secondary market from a niche liquidity tool to a mainstream segment of private equity—one that, in some cases, may deliver returns comparable to traditional buyouts and merit a consistent role in portfolios.

At the same time, the market remains undercapitalized relative to deal flow, favoring disciplined buyers with the relationships and data advantages needed to access the most attractive opportunities. Rising participation from family offices and retail-oriented structures adds new dimensions, but the core of the market continues to be driven by institutions and experienced managers.

As the market continues to evolve, secondaries are poised to remain a vital mechanism for addressing liquidity needs and capturing differentiated opportunities in the private markets.

GLOSSARY

PRIVATE EQUITY SECONDARIES: The private equity secondary market is the selling and buying of limited partner's holdings in private equity funds after the initial investment is made.

PRIVATE EQUITY EXIT: A private equity exit is when a private equity firm sells its stake in a company to deliver returns to investors.

VINTAGE YEAR: The year a private fund invests in a company or companies.

DRY POWDER: The amount of unspent capital investors have that's waiting to be invested, usually into private investments.

GENERAL PARTNER: The general partner in a private fund structures, fundraises, manages investments and executes exits.

LIMITED PARTNERS: Limited partners provide capital for a private fund.

CONTINUATION VEHICLE: A continuation vehicle allows a general partner in a private equity fund to extend the holding period of a fund that is approaching the end of its cycle, giving investors in the fund (limited partners) the opportunity to sell their stake and other investors to invest into the fund.

EVERGREEN FUND: Evergreen funds are open-ended investment vehicles, allowing investors to continuously join the fund and pre-existing investors to periodically redeem capital.

INVESTMENT COMPANY ACT OF 1940 ('40 ACT): The act regulates the formation and activities of investment companies, in order to protect investors.

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