

A close-up photograph of a chameleon with vibrant, multi-colored scales in shades of red, orange, yellow, green, and blue. The chameleon is perched on a dark, textured branch, surrounded by a dense layer of autumn leaves in various shades of red, orange, and yellow. The background is softly blurred, emphasizing the chameleon and the foliage.

Global Secondary Market Report 2024: Beyond the Primary

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Your guide to navigating the secondary market

Amid rising geopolitical tensions and a global softening in M&A and IPO activity, global GP-led secondary market volumes are predicted to surpass \$67 billion in 2024, higher than the previous record volume set in 2021.

Our recent survey of over 80 participants highlights the key trends driving the rapid growth, including key focus areas and strategies being utilized to optimize portfolios and realize returns.*

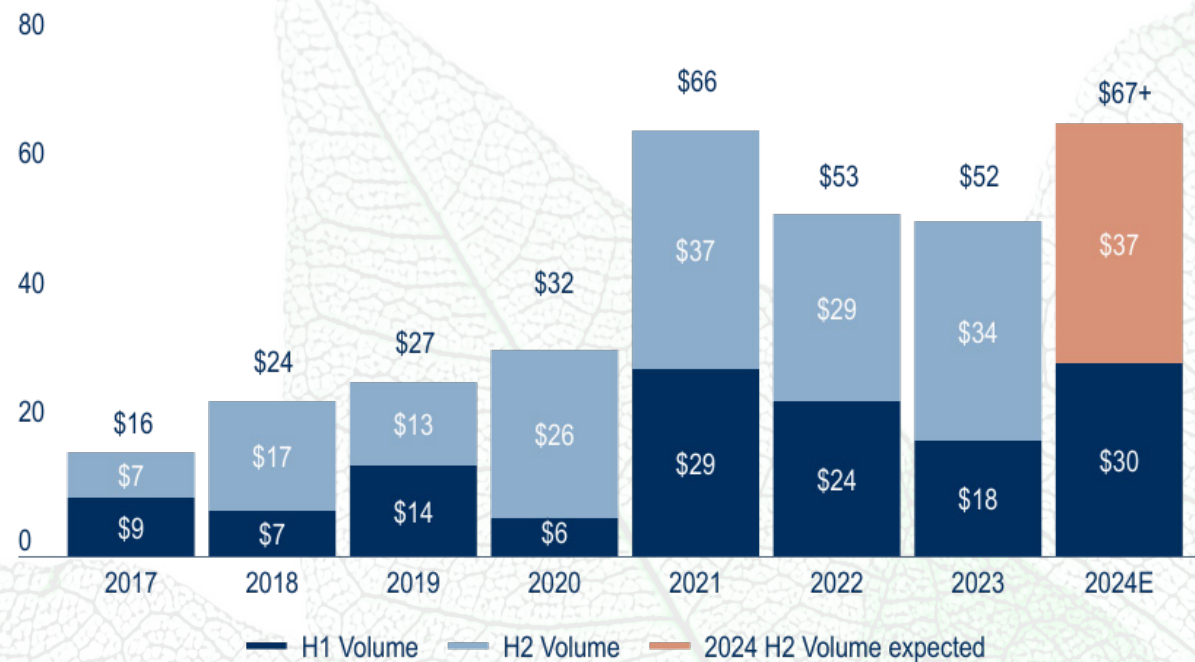
DC Advisory's global Secondary Advisory team summarizes the findings from our international survey to provide market insights into the GP-led segment of the secondary market, including the following topics:

- GP-led secondary market overview
- Continuation vehicles
- Fund financing
- Key factors of a successful GP-led transaction
- The evolution of the competitive landscape
- What we can expect in 2025

GP-led secondary market overview

- Uncertainty remains in markets pertaining to traditional exit routes (i.e. M&A and IPO)ⁱ, driving GPs to re-evaluate their portfolio management strategies
- LP liquidity constraints are putting pressure on GPs, with secondaries, once a niche market, rapidly becoming more widely accepted as an attractive portfolio management toolⁱⁱ
- Amid rising geopolitical tensions and a global softening in M&A and IPO activity, the global GP-led secondary market is poised to surpass the previous record volume levels of \$66 billion set in 2021 (see Fig. 1)
- This optimistic forecast is supported by positive sentiment among active market players: almost half of survey respondents expect global volumes to exceed \$70 billion in 2025, while almost 20% of respondents expect volumes to exceed \$80 billion

Fig.1: GP-led transaction volume (\$bn)



Source: DC Advisory analysis based on Preqin-led data & industry analysis reports, across 2024

**Unless otherwise indicated, all tables, data and statistics provided in this report, including with respect to deal activity, have been collected via the August 2024 DC Advisory Secondaries survey, subject to the limitations of the survey. Please see "Sources" for more details regarding the survey.*

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Save the date! Wednesday, 20th November

Join our global Secondary Advisory team at our live webinar to hear real-time market insights on the GP-led secondary market



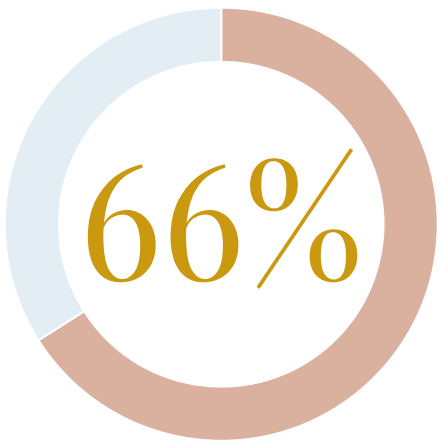
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Continuation vehicles are driving GP-led deal activity

- Continuation vehicles (CVs), particularly single-asset CVs, remain the dominant solution driving GP-led secondary market activity, with nearly 70% of survey respondents noting that they are likely to consider utilizing a CV solution in the next 18 months
- Of those survey respondents who executed CVs in the past, almost 60% had indicated having executed a single asset CV, illustrating its popularity in the market
- Over time, there has been a growing recognition of CVs by GPs as a reliable, structured exit strategy, as these transactions offer alternative liquidity options mitigating some of the risks associated with selling via a

traditional exit in uncertain markets; this is supported by almost 40% of survey respondents stating liquidity generation as one of the key objectives of executing a CV

- CVs also offer GPs and existing LPs flexibility to retain their assets during uncertain periods, positioning them to capitalize on valuation increases when market conditions improve
- CVs provide optionality throughout the economic cycle, making them especially attractive in today's challenging market conditions

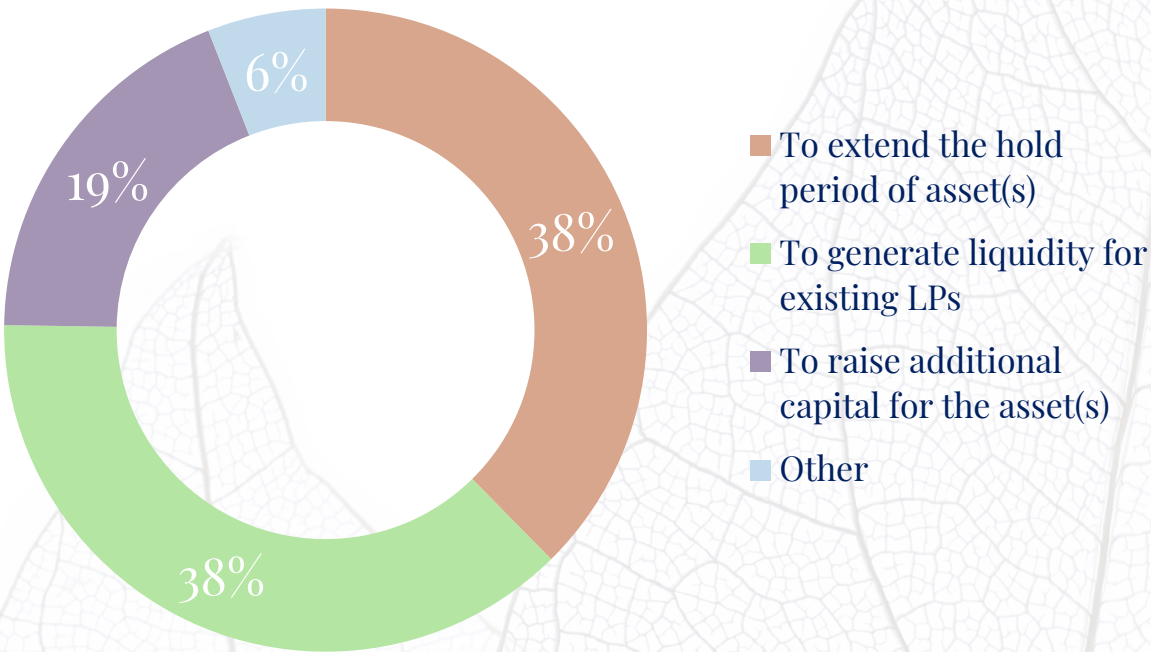


of survey respondents noted they are likely to consider a CV solution in the next 18 months



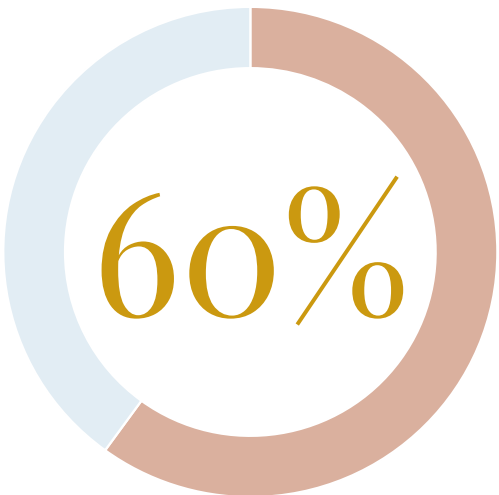
of continuation vehicles executed by survey respondents were single assets

When executing continuation vehicle solutions, what are your primary objectives?



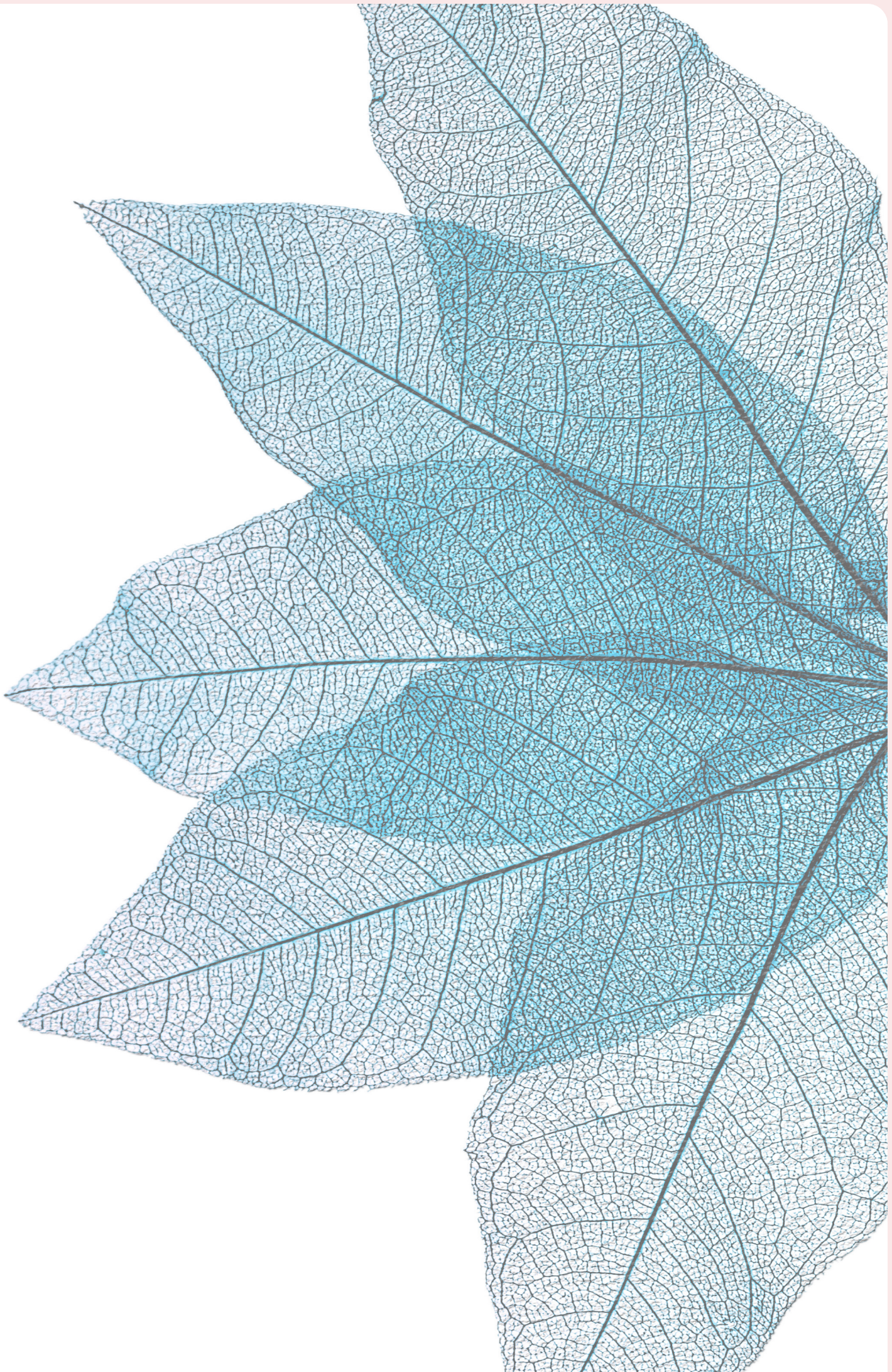
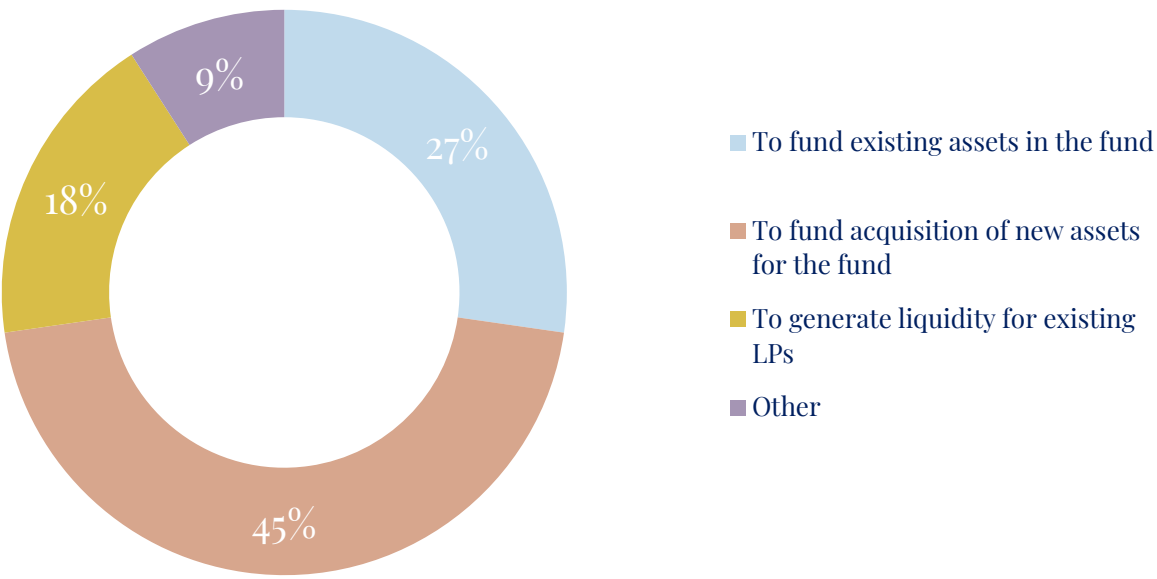
Navigating fund financing options

- As interest rates stabilize, GPs are increasingly turning to fund financing, with over 30% of survey respondents considering a fund financing solution in the next 18 months
- Fund financing has become an important tool by which GPs can raise additional capital to fund new acquisitions and follow-on investments into existing assets, as illustrated by 45% and 27%, respectively of our survey respondents
- Our survey results indicate almost 20% of respondents also noted liquidity generation for existing LPs as a primary objective for executing fund financing
- Among types of fund financing solutions executed, NAV facilities were the most popular, with 60% of survey respondents that had executed a fund financing solution in the last 18 months to have done so through a NAV facility



executed a NAV facility among survey respondents that had executed a fund financing solution within the last 18 months

When executing financing solutions, what are your primary objectives?

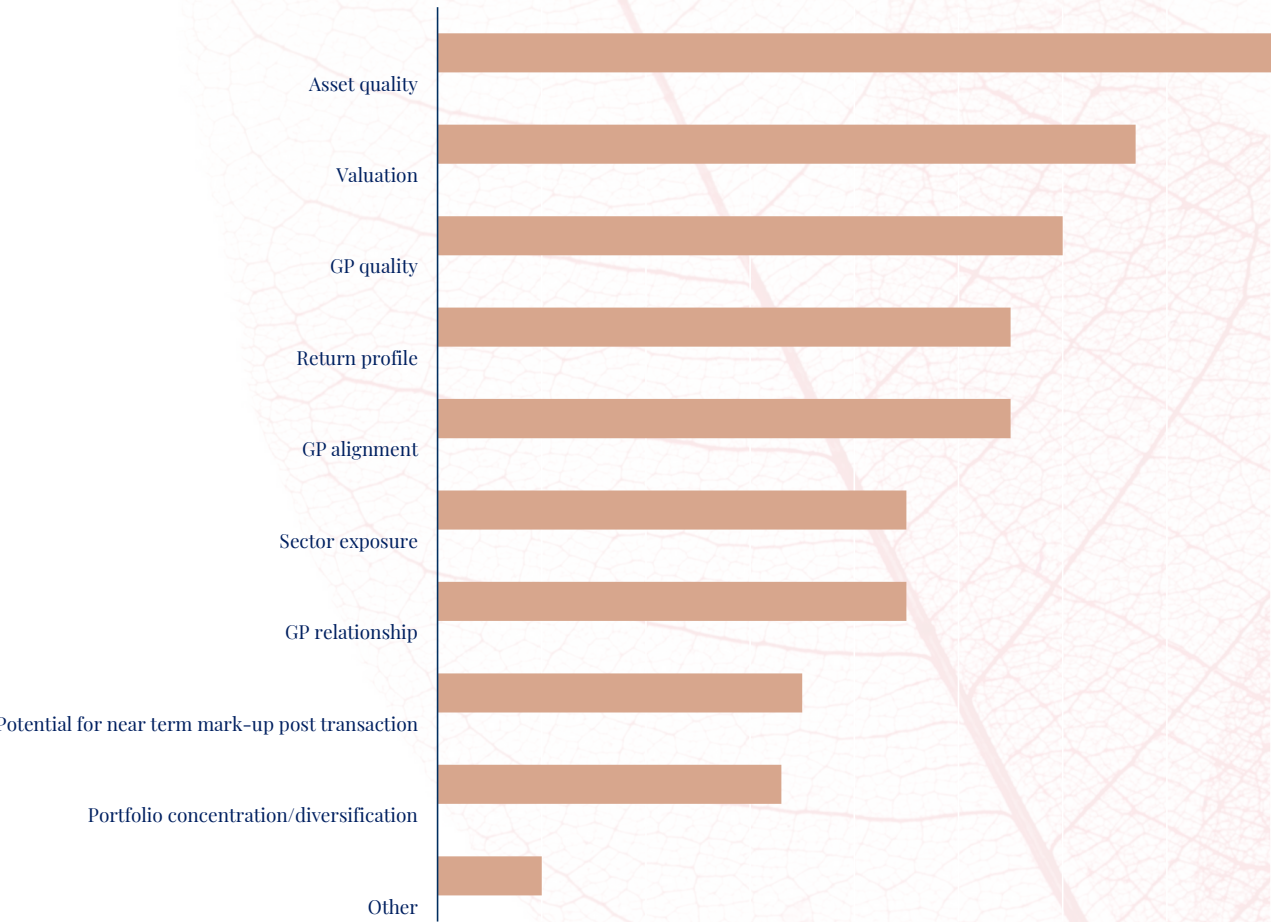


Momentum in GP-led deals continue to be driven by strong alignment between GPs and secondary investors, asset quality and market-based pricing

A view from Secondary investors

- Secondary investors highlighted asset quality as the most important factor when evaluating the pursuit of CVs. Where traditional exit routes (i.e. M&A and IPO) have been challenging, we have seen the presence of high-quality assets become more prevalent in the GP-led market
- Valuation was highlighted as a key consideration for investors. Over 50% of survey respondents who executed CV deals noted that their deals closed with minimal or no mark-ups to entry price, reflecting a shared commitment among GPs, existing LPs, and secondary investors to achieve market-based pricing for the underlying assets – which we believe will continue to be a key aspect of successful CV deals going forward
- As secondary solutions become more widely accepted by GPs as an attractive portfolio management tool, we expect to see continued strong demand for high-quality assets among investors, even as markets pertaining to traditional exit routes recover

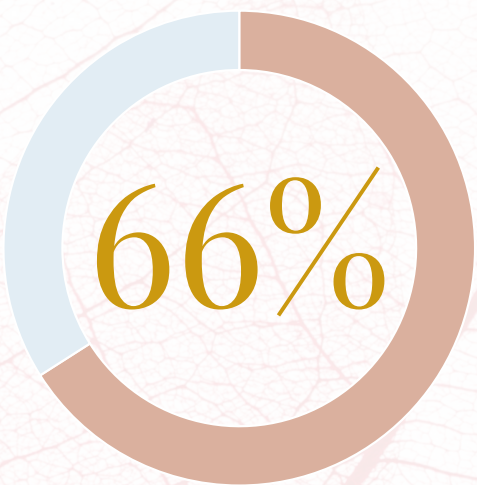
Please rank the following in the order of importance when assessing GP-led transactions



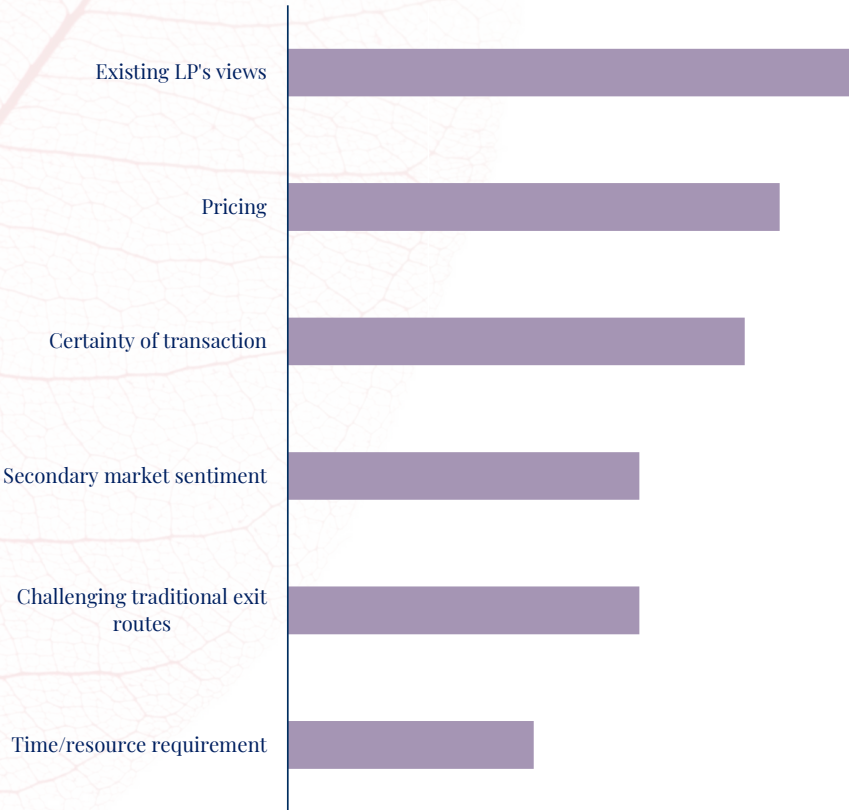
A view from GPs

- GP-led secondary transactions can be the most important 'public' private transaction a GP completes, as they are public with arguably the most important constituent of a GP's franchise, their existing LPs, and this often prompts GPs to inform their LPs well ahead of the launch of a transaction in the market
- The importance of addressing LPs' concerns is becoming increasingly prioritized, together with clear articulation of the rationale and motivation of a contemplated transaction ahead of the process
- Our survey results indicate existing LPs' views to have been the most important consideration for GPs when assessing the possibility of executing a CV, and as a result, we have seen renewed attention from GPs on maintaining their strong relationships with existing LPs through a transparent and efficient transaction process. This is anticipated to be strategically advantageous for GPs as many existing LPs likely would have secondary capabilities as well
- Our survey found that over 60% of respondents did not see an immediate mark-up in valuation post close of a CV transaction, suggesting that deals had been closed at a market-based price

In the order of importance, please rank the following when evaluating the possibility of a continuation vehicle

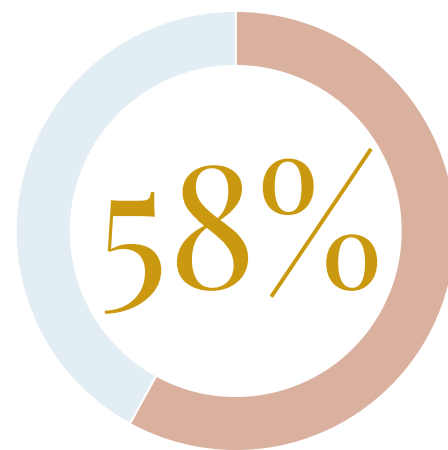


of survey respondents did not see a mark-up in valuation for the first six months post transaction close



The evolution of the competitive landscape

- Secondary investors surveyed indicated a notable increase in competition within the secondary market, particularly from GPs setting up their own secondary capabilities. To stay competitive, investors are increasingly leveraging their established strong relationships with GPs to be involved early in the shaping of a transaction, and to secure deal flow and allocations in competitive processes
- The growing presence of new entrants, particularly GPs with deep sector expertise and more defined strategic focus compared to existing secondary investors, has resulted in a shift in focus toward asset quality in deal evaluation. As a result, investors are prioritizing deals with strong underlying assets and potential for outperformance in a competitive market
- Secondary investors also expect the growing sophistication of the market to drive further specialization. Historically, investors have tended to be more open to a wider range of sectors in their commingled secondary programs. However, this trend is likely to change as the market matures, resulting in a deeper and more efficient market, where investors can capitalize on their specific expertise to identify attractive opportunities which they can underwrite with an edge over their competitors



of survey respondents believe the most prominent new entrants in the secondary market are GPs expanding into secondary strategies

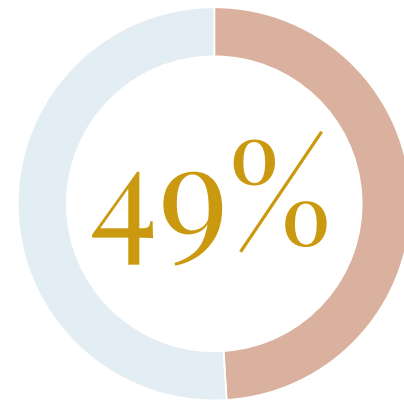
Amid the increased competition, how do you differentiate from your competitors, in a transaction with a GP?



Market outlook – What can we expect in 2025

1. GPs and investors anticipate the global GP-led market volume to exceed \$70bn in 2025:

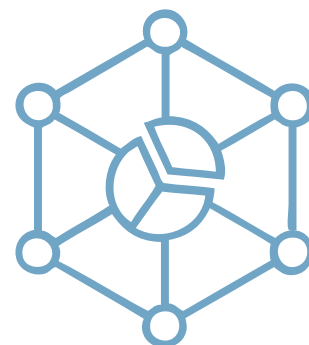
We anticipate further meaningful growth in the space, considering approximately half of our respondents have not executed a GP-led deal in the past five years, but are open to doing so in the next twelve months



of survey respondents believe global GP-led transaction volumes will exceed \$70bn in 2025

3. A more specialized, adaptable market in 2025:

As the secondary market continues to evolve, we anticipate further specialization among new investors, especially GPs with secondary capabilities, also encouraging established secondary investors to hone their expertise in specific asset classes. Larger players are further contributing by venturing into new areas such as the credit secondary market, demonstrating the market's continued growth and adaptabilityⁱⁱⁱ



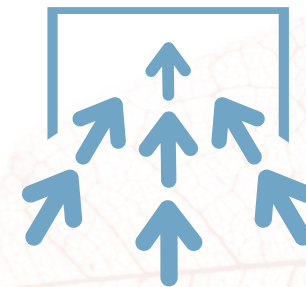
5. Continued importance of GP/investor relationships in 2025:

GP/LP relationships remain a key feature of the secondary market. GPs expressed their existing LPs' views on contemplated secondary solutions as being the most important consideration when evaluating a possibility of a transaction. Likewise secondary investors cited the advantage of an existing GP relationship as being key in the ability to source a transaction and successfully position themselves in a highly competitive market



2. Continued adoption of GP-led solutions by GPs as well as new entrants investing in the GP-led market will drive the market in 2025:

Propelled by continued supply in GP-led solutions driven by wider acceptance as a portfolio management tool by GPs, and growing demand for GP-led deals, especially CVs, by secondary investors, given the asset quality and market-based pricing, the GP-led market is well-positioned to continue growing into 2025



4. A more transparent market in 2025:

To successfully execute GP-led transactions, GPs will need to continue to address the requirements of their existing LPs for transparency and clear transaction rationale



Should you have any questions or wish to discuss the secondary market outlook in more detail, please contact our team.

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Sources

The August 2024 DC Advisory Secondaries survey

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DC Advisory's independent survey of 88 GPs and LPs in the European and US market, which was completed in August 2024 (referred to herein as the "August 2024 DC Advisory Secondaries survey 2024" or the "survey"). Any data sourced from the survey is limited to the data provided by the survey participants and is not meant to constitute definitive market data. The GPs and LPs selected for the survey are based on those that are most active in the secondaries market, and that DC Advisory interacts with the most. Accordingly, the survey participants do not constitute an exhaustive list of GPs and LPs who may have been active during the period addressed by the survey

Other sources

- i. Financial Times, Sep 2024: Private equity is doing badly — however you measure it
- ii. PEI, Jan 2024: More players to embrace secondaries in 2024 amid liquidity crunch
- iii. Collier Capital, Oct 24: Collier Capital, <https://www.colliercapital.com/new-pc-secondaries-sicav-fund/>

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