Private Equity Secondaries Are No Longer a Cyclical Liquidity Fix - They Are Now a Core Portfolio Strategy

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In 2025, the global secondaries market reached a record $229 billion, reflecting how secondaries have become an increasingly central part of private markets-helping investors and fund managers manage liquidity, rebalance portfolios, and execute ownership transitions more flexibly.

Historically, the private equity (PE) secondaries market had a stigma attached. Selling a fund stake before it matured was read as a sign of distress, and the buyers who specialized in those stakes were a small, niche group - that picture no longer fits. In 2025 the market reached a record $229 billion, and more importantly, the secondaries market is no longer just helping investors raise cash in difficult periods - it is being used as a strategic tool for portfolio rebalancing, capital recycling, and ownership extension, making it a more permanent feature of private markets rather than a purely cyclical tool.

On the buy side, secondaries have become attractive for a different reason: they offer access to more mature portfolios, often at negotiated entry prices, with greater visibility into underlying assets, immediate diversification, and the potential for faster cash flows. In a market where primary private equity funds typically run for 10-12 years and may not see distributions exceed contributions until years 5-7, entering through secondaries can help mitigate the J-curve and provide exposure to assets that are already closer to realization - making secondaries an efficient way for buyers to build private-markets exposure.

This write-up explains, how the secondaries market got here and why the shift looks permanent. It starts with the size and outlook, then looks at the two pillars of the market (LP-led and GP-led), the performance characteristics that make secondaries attractive to investors, and finally sets out the structural forces that suggest why this is a structural change rather than a passing phase.

The basics in 30 seconds: In private equity, investors (LPs) put money into a fund run by a manager (GP) that buys companies - and are usually locked in for about 10 years. A “secondaries” transaction lets investors exit early, and broadly fall into two categories: a LP-led deal, where an investor sells its fund stake to another buyer; and a GP-led deal, where the manager moves a company into a new “Continuation Vehicle” so investors can cash out or stay in.

THE 2025 SECONDARIES MARKET AT A GLANCE

$229B
Total Volume

+45%
Year on Year Increase

$124B
LP-Led (54%)

$105B
GP-Led (46%)

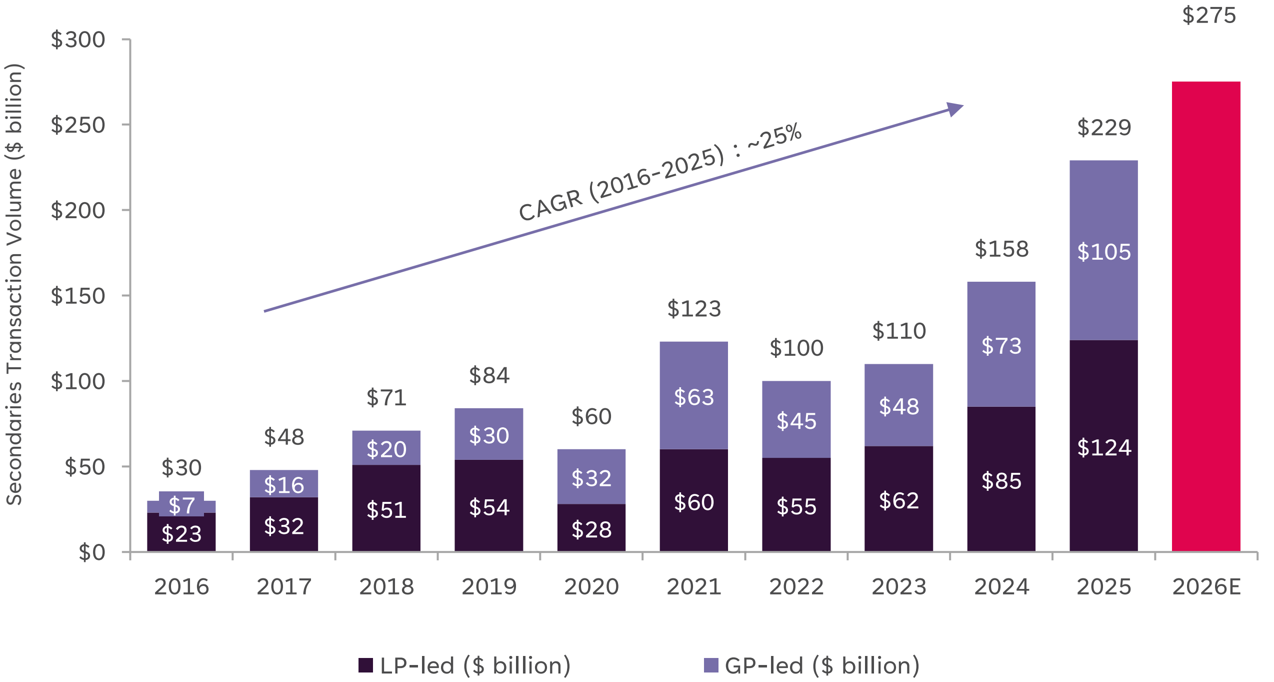
$299B
Dry Powder

Market Size and Outlook: A Decade of Compounding Growth

The simplest measure of the change is size. Annual secondaries transaction volume has grown from about **$30 billion in 2016 to $229 billion in 2025** representing ~25% annualized growth over the period. The market crossed $100 billion for the first time in 2021, paused briefly during the 2022 repricing, then set fresh records in 2024 and 2025. A market this size is no longer peripheral: it is large enough to shape how investors plan liquidity, how managers plan exits and how capital moves through private markets.

That increase also changes market behavior. Larger scale tends to attract more specialized buyers, deeper capital pools, and more repeat usage by both LPs and GPs. Those are all signs of a market becoming more embedded, more institutionalized, and more strategically relevant over time.

Global Secondaries Market Volume



Source: Eaton PCA - 2025 Secondary Market Review

The future outlook points the same way. Eaton expects volume near **$275 billion in 2026** and dedicated “dry powder” stood at a record **$299 billion in 2025**. Yet that capital equals only about 1.3 years of buying at today’s pace for Secondaries - versus 2.7 years for the Global PE buyout market, suggesting continued strong buyer demand relative to available transaction opportunities. As a frame of reference, secondaries trade only a low single-digit share of the multi-trillion-dollar pool of private-market assets, which leaves substantial room to grow.

The Two Pillars of the Market: LP-led and GP-led (1/2)

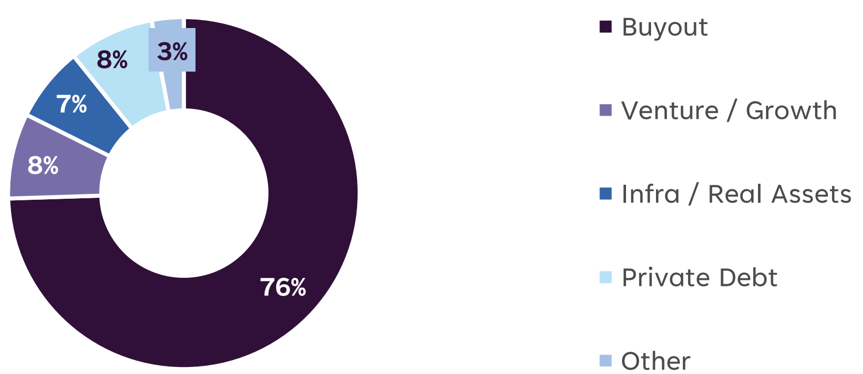
The second reason this trend looks durable is that market's growth is not coming from one place. Both pillars reached record levels in **2025 - LP-led at $124 billion** (about 54% of the total) and **GP-led at $105 billion** (about 46%). That balance is a sign of health: the market now has two independent engines rather than relying on a single source of supply.

A LP-led: A Portfolio-Management Tool, Not a Distress Sale

In an LP-led deal, an existing investor sells fund stakes to free up cash. This is the older and larger pillar of the market and the way LP-led secondaries are used has fundamentally changed. Rather than forced or distressed selling, LP-led deals are now a routine way to manage a portfolio. That makes LP-led secondaries less of a reactive solution and more of a repeatable portfolio management solution. A few key features of today's LP-led market illustrate how far it has evolved:

- **Active Management:** LPs sell to rebalance portfolios, manage overallocations, accelerate liquidity, and exit non-core relationships.
- **Secondaries Market Adoption Is Increasing:** About 40% of the participants in 2025 were first-time sellers (Eaton PCA) - a clear signal the market has gone mainstream.
- **Increasing Scale of Transactions:** Transaction sizes continued to scale in 2025, with 27 LP deals exceeding $1 billion and the largest LP market transaction surpassing $5 billion.
- **Evolving Buyer Composition:** Increasing participation and demand from non-traditional capital sources as well as the retail channel via '40 Act Evergreen Funds led to an increase in buyside competition for deals, creating favorable market dynamics for sellers.
- **Buyer Focus on Diversification:** Buyout funds remain the core of what trades - about 76% of LP-led volume in 2025 - but the rest is spreading across a widening range of strategies, which is itself a sign of a maturing market.

LP-led Secondaries Volume by Strategy, 2025



Source: Eaton PCA - 2025 Secondary Market Review

The Two Pillars of the Market: LP-led and GP-led (2/2)

B GP-led: Continuation Vehicles Are Now an Alternative Liquidity Pathway

In a GP-led deal, a manager moves high-conviction assets into a new “Continuation Vehicle” so it can keep running the business while giving existing investors the choice to cash out or stay in. This has become one of the fastest-growing pillar of the secondaries market: GP-led volume grew from about **$7 billion in 2016 to $105 billion in 2025**, lifting its share of the market from roughly 23% to 46%, supported by the growing adoption of Continuation Vehicles, a slower traditional exit environment, and increasing LP demand for liquidity solutions. This growth was driven by a surge in buyside capital and the increasing adoption of both single-asset and Multi-Asset Continuation Vehicles by both new and repeat GPs, who now view Continuation Vehicles as a core tool for liquidity management and active portfolio optimization. Eaton expects this part of the market to reach roughly $200 billion by 2030. A few defining features of today’s GP-led market highlight how much it has changed:

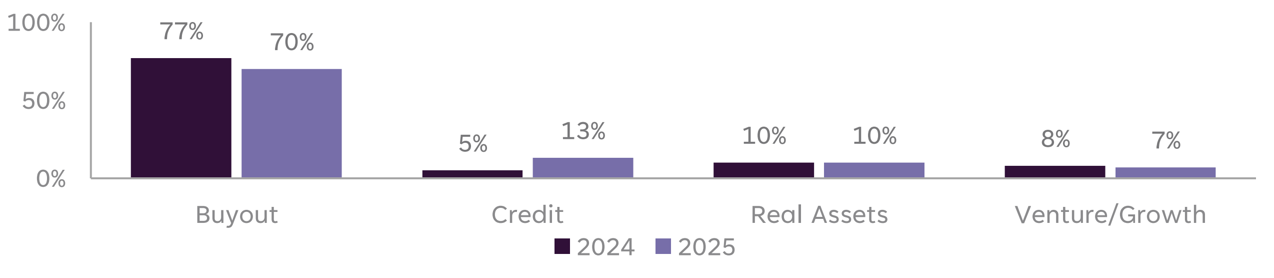
Fourth Exit Route These transactions are no longer best viewed as workarounds for troubled funds. Continuation vehicles have increasingly emerged as a recognized alternative liquidity pathway alongside a trade sale, a sale to another sponsor, or an IPO - used to hold onto “high-conviction” assets.

Single-Asset Continuation Vehicles continued to gain popularity, exceeding 50% of total Continuation Vehicles volume for the first time in 2025, while Multi-Asset structures are also gaining market share.

Structured Solutions gained further traction in GP-led transactions in 2025, with deferred purchase price mechanisms and comparable features appearing in approximately 29% of transaction volume, an increase from the prior year.

Rise in Credit Secondaries and Other Strategies Jefferies reports that credit GP-led volume more than tripled in 2025, and for the first time GP-led deals accounted for the majority of credit secondaries volume-a segment that barely existed a few years ago. Venture and Real Assets Continuation Vehicles are following a similar path, as sponsors use them to retain high-conviction assets rather than sell into a slow exit market.

GP-led Transaction Volume by Strategy (2024 & 2025)



Source: Jefferies - 2025 Global Secondary Market Review: Another Record-Breaking Year

The overall shift changes how secondaries should be understood. They are no longer only helping LPs sell positions; they are also helping sponsors retain high-conviction assets, manage fund-life issues, and create structured liquidity in a more flexible way. That makes secondaries increasingly relevant not just to allocators, but to fund managers themselves.

How Have Secondaries Actually Performed? (1/3)

Scale and liquidity explain why the market has grown so quickly, but the more important question for investors is whether secondaries have actually delivered - the evidence suggests they have. The finding indicates that secondaries have delivered returns comparable to traditional private equity, but with lower risk, shallower losses and faster cash-flow realization, supported by a combination of more mature assets, improved visibility and negotiated entry prices than is typical in primary private equity.

Three structural features stand out, and they hold across the market as a whole:

i Competitive and Consistent Returns with Better Risk-Adjusted Outcomes

Secondaries are often viewed as a consistency-oriented strategy. On headline returns they have historically been competitive with traditional buyout funds- but their defining characteristic is the quality of those returns. Rather than relying on a small number of outsized winners, secondaries have typically generated returns in a tighter and more predictable range.

Research from HarbourVest, shows that mature secondaries portfolios have historically delivered higher risk-adjusted returns than traditional buyout funds, as measured by Sharpe, Sortino, and Information Ratios, despite slightly lower absolute returns. This reflects the combination of diversified exposure, seasoned assets, and greater visibility into underlying portfolio companies.

As a result, secondaries have often served as a volatility-dampening component within mature private equity portfolios, helping investors achieve more consistent outcomes while maintaining meaningful exposure to private markets.

Consistency is also evident relative to public markets; another manager study indicates that secondaries outperformed global equities in 18 of 20 rolling three-year periods between **2005 and 2024**.

Time-Weighted Returns for Traditional Buyout vs. Secondaries Funds (March 2005 - September 2025)

	Return	Volatility	Sharpe Ratio	Sortino Ratio	Info. Ratio
Traditional Buyout	13.4%	9.9%	1.15	2.56	1.36
Secondaries Fund	12.4%	8.9%	1.16	3.17	1.40

Source: As reported in "HarbourVest - Case for Secondary Exposure in Mature Private Asset Portfolios"- MSCI report. Illustrative based on based on MSCI Global Buyout and MSCI Global Private Equity Secondary Fund benchmarks from March 2005 through September 2025. Past performance is not indicative of future results

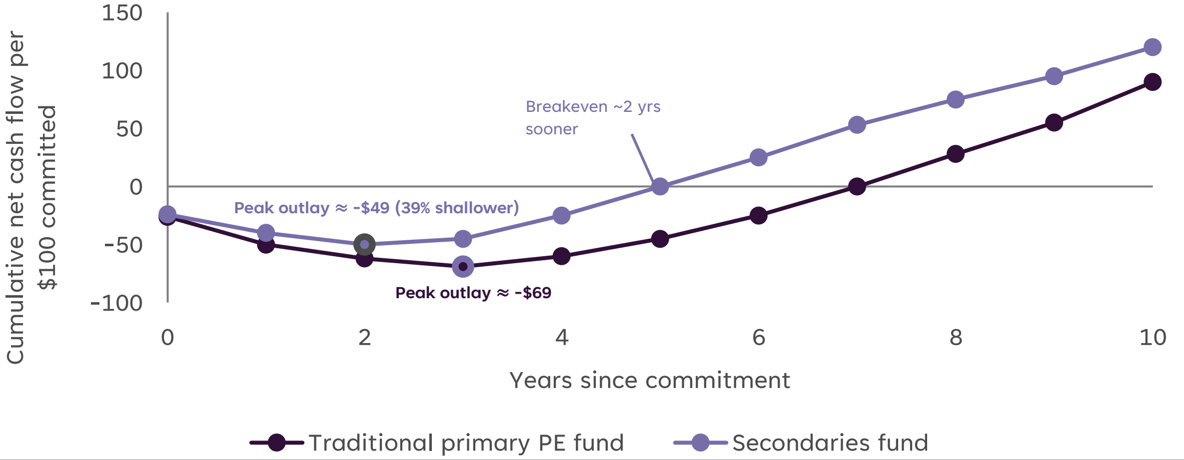
Sharpe Ratio measures excess return per unit of total volatility; **Sortino Ratio** measures excess return per unit of downside volatility; and **Information Ratio** measures excess return relative to a benchmark per unit of tracking error. Higher ratios generally indicate stronger risk-adjusted performance.

How Have Secondaries Actually Performed? (2/3)

ii A Shorter, Shallower J-Curve

The most intuitive way to see the cash-flow benefit is through the J-curve. In a traditional primary private equity fund, where early returns are often negative because fees are front-loaded and realizations take time. Secondaries, however, allow investors to enter later in a fund's life, when assets are more seasoned and the early fee drag has largely been absorbed, so money is returned sooner. According to, **CVC's (Nov'2025**) analysis of **2007-2021 vintages,** a $100 commitment to secondaries generated a peak net outlay of just $49, roughly 39% less than the broader private-equity universe and turned cash-flow positive around two years sooner. For an investor, that means less capital tied up for less time, and quicker, more predictable distributions.

Secondaries Mitigate the Impact of The J-Curve, Enabling Earlier Cash Distributions and A Shallower Dip (Vintages 2007-2021)

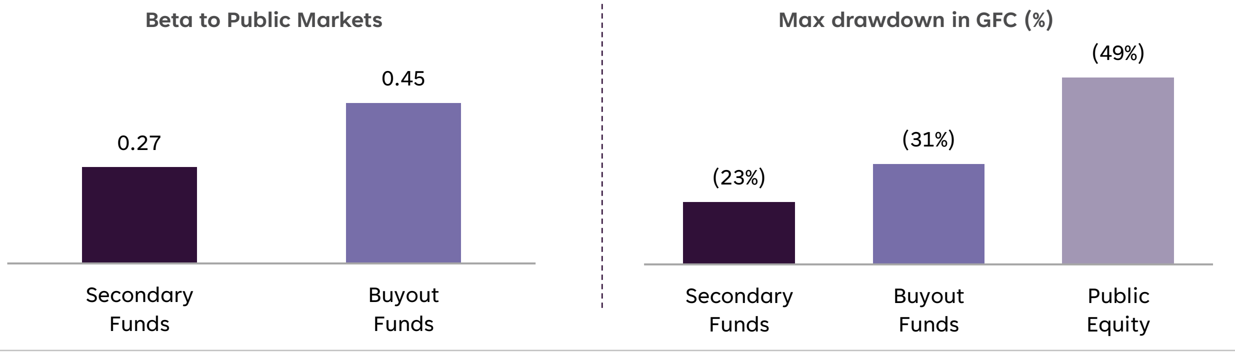


Source: CVC, "Secondaries in the Spotlight" (Nov 2025). Illustrative, based on median averages for 2007-2021 vintages.

iii Lower Market Beta and Greater Resilience

Secondaries have historically offered not just attractive returns, but a more resilient risk profile. Using MSCI benchmark data **(2005-2025),** HarbourVest found that secondaries exhibited lower market sensitivity than buyout funds (beta of 0.27 vs. 0.45). This resilience was particularly evident during the GFC, when secondaries experienced shallower drawdowns and recovered faster than both buyout funds and public equities. The reason is because secondaries buyers acquire seasoned assets, often at a discount, and those discounts tend to widen exactly when markets are stressed, so capital is effectively deployed counter-cyclically, cushioning the downside risk.

Secondaries vs Buyout Funds (2005-2025) : Lower Market Sensitivity, Less Drawdowns in Crisis



Source: As reported in "HarbourVest - Case for Secondary Exposure in Mature Private Asset Portfolios". (draws findings from MSCI report) Past performance is not indicative of future results

How Have Secondaries Actually Performed? (3/3)

GP-led Continuation Funds: Higher Returns Than Buyout with Lower Downside

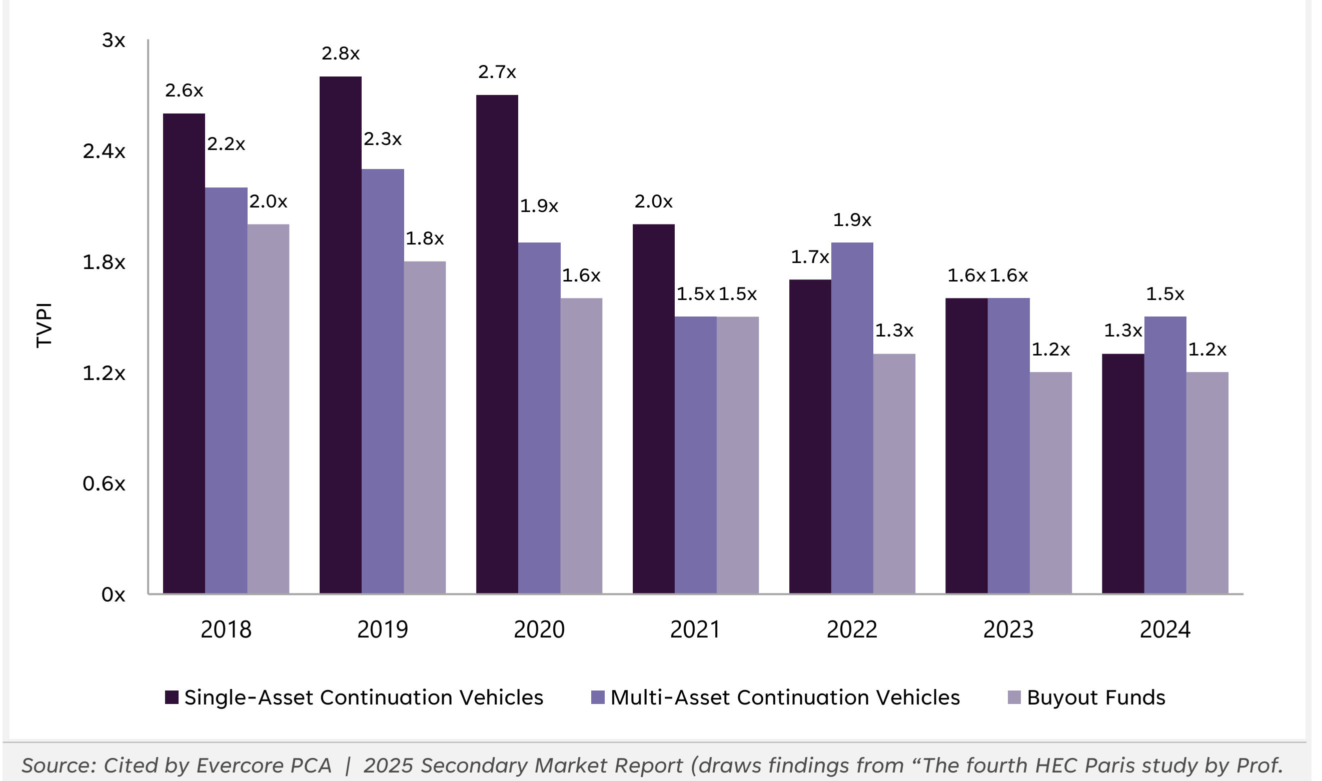
The fastest-growing segment of the secondaries market - GP-led Continuation Vehicles - has attracted the most scrutiny, but the performance evidence is now reassuring. Analysis from Evercore and HEC Paris, based on ~387 Continuation Vehicles formed between 2018 and 2024, indicates that Continuation Vehicles have delivered return profiles that are comparable to, and in many cases stronger than, traditional buyout funds.

A key distinction emerges across structure types. Single-Asset Continuation Vehicles tend to deliver higher return potential, particularly in the top quartile outcomes , while Multi-Asset Continuation Vehicles benefit from greater diversification and earlier distributions, resulting in faster cash realization (DPI).

Across vintages, both Single and Multi-Asset Continuation Vehicles have demonstrated:

- Competitive or higher return multiples vs buyouts
- Lower dispersion of outcomes
- More consistent performance across market cycles

Continuation Vehicles (Single & Multi-Assets) vs. Buyouts Performance (Vintage Years 2018-2024)



Source: Cited by Evercore PCA | 2025 Secondary Market Report (draws findings from "The fourth HEC Paris study by Prof. Gottschalg" (Q2 2025 performance data for 387 CVs formed between 2018-2024)

One explanation for the observed performance is "selection bias" in the good sense. GPs tend to move their strongest, best-understood companies into Continuation Vehicles, so the starting portfolio is skewed toward proven winners. At the same time, buyers benefit from greater visibility into underlying assets, reduced blind-pool risk, and structures designed to align GP and LP incentives.

Conclusion - Why This Is a Structural Shift, Not a Cyclical Fix

So, is this just a response to a slow exit market that will fade when deal-making recovers?

The evidence says no. The market's growth rests on forces that are structural rather than cyclical - and, crucially, they reinforce one another.

Exit Backlog Builds - Slow Distributions & Long Holds

Takeovers and IPOs have been **slow since 2022**. Bain (in 2026 Outlook Report) counts **~32,000 unsold PE-owned companies** worth **~$3.8 trillion**. Distributions as a share of NAV have remained **below 15%** for four consecutive years **- an industry record -** while average holding periods at exit are **around seven years**. Pushing investors to seek secondaries liquidity.

A Permanent Rebalancing Tool

LPs increasingly sell to manage allocations, not because anything is wrong. With **~40% of 2025 participants** selling for the **first time**, secondaries have become a **repeatable part** of running a private-markets portfolio.

Growth Beyond Buyout

Credit secondaries - trading portfolios of private loans - are among the **fastest-growing** segments, reaching **~$18-20 billion in 2025** and projected near **$40 billion by 2027** (Coller Capital) and **$80+ billion by 2030** (Carlyle AlpInvest), at strong prices. **Real estate, infrastructure and venture are** following, widening the pool of deals.

New Capital from Wealth Investors

"Evergreen" funds let private-wealth investors in without a 10-year lock-up. Evergreen and retail capital have passed **$113 billion AUM** (as cited in the Eaton Partners 2025 Report); Jefferies estimates **~41% of Evergreen fund** assets go into secondaries. Hamilton Lane (in 2025 Report) sees evergreen rising from **~5% to ~20%** of total private-markets money **in the next 10 years.**

GP-led Go Mainstream

Continuation Vehicles have become a core liquidity and exit tool for sponsors, not a niche fix. GP-led volume has grown to **$105 billion in 2025 (about 46% of the market),** Single-Asset Continuation Vehicles **now exceed half of all Continuation Vehicles volume**, and Eaton expects the segment to reach **~$200 billion by 2030**. Independent studies show Continuation Vehicles have **matched buyout returns with lower loss rates**, which is drawing in long-term capital and cementing Continuation Vehicles as a **permanent feature** of how private equity manages ownership.

Put together, these are not cyclical tailwinds. A vast backlog of unsold companies will take years to clear; rebalancing is now standard practice; the market keeps extending into new strategies; and a brand-new class of evergreen and wealth capital arriving through a one-way door. Even when traditional exits fully reopen, secondaries are unlikely to shrink back to the margins.

What It Means for Investors & Sponsors and How Evalueserve Helps

Because secondaries are now a core tool rather than a one-off trade, they matter to everyone in the market and they raise the bar on the analysis behind each deal.

For LPs, selling fund stakes has become a normal portfolio tool; used to rebalance, adjust exposure, or raise cash and not a sign of distress. The hard part is price: working out what a diversified, often Multi-Fund portfolio is really worth means valuing the underlying assets, not simply trusting the last-reported NAV.

For GPs, Continuation Vehicles are now a standard way for managers to hold on to their strongest companies instead of selling them. However, these transactions depend on perceived fairness: LPs need confidence that pricing is appropriate and conflicts are properly managed - this calls for independent valuation and close diligence on the asset being moved.

For buyers, record dry powder and firm pricing on the highest-quality assets, often at or near par, leave a thinner cushion on those deals. Where the discount is smaller, returns lean more heavily on the depth of underwriting, most acutely in concentrated Single-Asset Continuation Vehicles, where the outcome rests on a single company.

Across all three, the common requirement is deeper analytical intensity. A larger, faster and more complex secondaries market demands sharper valuation, diligence and monitoring - often under compressed timelines.

As the secondaries market scales in size and complexity, a successful investment process increasingly depends on the ability to analyze large portfolios, evaluate assets quickly, and monitor investments continuously. This is creating greater demand for specialized analytical support across the transaction lifecycle.

This is where Evalueserve partners with secondaries firms across the full deal lifecycle - helping teams move faster and underwrite with greater confidence:

Deal Origination & Screening

1. **Deal sourcing & market intelligence** Map likely LP sellers and GP-led Continuation Vehicle opportunities by vintage, strategy and region; track pricing and NAV-discount trends
2. **Screening & first-pass underwriting** Indicative bid ranges and discount bands for large Multi-Fund portfolios, with initial IC decks
3. **GP & fund-level analytics** Track-record benchmarking (DPI, TVPI, IRR) and fund-exposure comparison

Deal Evaluation & Execution

1. **Valuation & pricing support** Fund and company models, NAV roll-forward, closing-price bridges and waterfall modelling (carry, LP/GP economics)
2. **Asset, fund & deal diligence** Portfolio-company profiling, benchmarking vs. comps, and detailed IC decks, teasers and CIMs
3. **Transaction execution support** Deal booking, purchase-price allocation across portfolio companies and live-deal data-room management

Post-Transaction Support

1. **Portfolio monitoring & risk** KPI and covenant tracking, variance analysis, quarterly pricing updates and concentration / borrowing-base analysis
2. **Investor reporting** LP-ready reports on NAV movements, asset & fund performance metrics and top-asset commentary
3. **Exit planning & execution** Asset summaries and CIMs, exit-pathway design and data-room support for stake sales

Combining deep domain expertise with AI-enabled analytics, Evalueserve helps secondaries investors turn a larger and more complex market into an analytical advantage.

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About Evalueserve

Evalueserve is a leading analytics partner powered by mind+machine™, that helps clients get the most out of their core processes. Our global team of 4,000+ experts is dedicated to helping our clients and partners meet their goals. We've successfully applied our mind+machine™ approach to the management and transformation of business processes across all functions.

We work with 500+ clients across a wide range of industries and business functions, helping them to make better decisions faster; reach new levels of efficiency and effectiveness; and see a tangible impact on their top and bottom line.

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