ROUNDTABLE

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Secondaries markets race to keep up with demand

With no shortage of LPs and GPs turning to the secondaries market for capital solutions, there are hopes for a 'decade of capitalization' to keep driving growth. By Claire Coe Smith and Chris Witkowsky

On track for another record year, the secondaries market is stepping up as a solutions provider to both GPs and LPs navigating a challenging liquidity landscape. As 2025 draws to a close and 2026 promises no let-up, participants at the fifth annual *Buyouts* secondaries roundtable see only capitalization and resources standing in the way of the market's bullish trajectory.

Yann Robard, managing partner at Dawson Partners, says: "In Q1, we made a bullish prediction that secondaries market volume could exceed $200 billion this year, and that was met with some skepticism at the time. Since then, we have seen record levels of deployment. In the first three quarters there was about $165 billion deployed versus $162 billion deployed for the full year last year. So we believe we are certainly going to exceed $200 billion this year and may reach $225 billion.

"Going into Q4, the pipeline in the market is strong – there is probably $300 billion of dealflow going through the system right now. We believe the only thing that is going to limit the amount of volume this year is capitalization and resources. The limiting factor is a lot of buyers have already deployed a lot of capital and there are limitations on the resources available to actually execute on all the transactions."

John Kettnich, a partner at StepStone Group who helps lead the firm's global secondaries team, agrees that today's challenges center on dry powder. "There is a lot of talk about different sources of capital being raised," he says. "We see GPs in traditional buyout funds trying to raise secondaries vehicles, secondaries funds trying to raise twice as much as last time, and evergreen capital has become a key focus."

That demand is being driven by the massive opportunity in emerging secondaries dealflow. "It's not just the volume of dealflow that is attracting attention," says Kettnich, "but the quality of what we are seeing. The caliber of funds that are trading on the LP interest side and top-decile GPs now launching continuation vehicles of different shapes and sizes mean the market is really firing on all cylinders."

Leor Landa

Head of investment management, Davis Polk

Landa has been a partner at Davis Polk since 2005 and advises a wide range of clients on the formation and operation of private funds, including secondary funds, private equity funds, hedge funds, credit funds, real estate funds, funds of funds and advisory platforms. He is an expert on secondaries transactions, having established Davis Polk's practice nearly 20 years ago and has worked on some of the largest and most complicated secondaries transactions.

Yann Robard

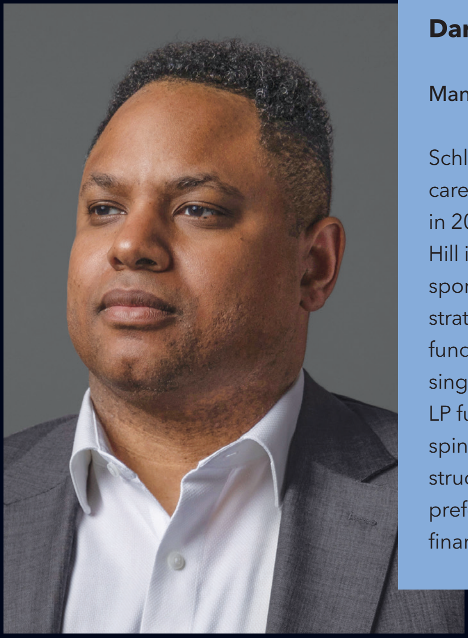
Managing partner,
Dawson Partners

Robard spent 13 years at CPP Investment Board before establishing Dawson in 2015. Dawson has over $25 billion in assets under management and is focused on providing innovative structured solutions to the private markets.

John Kettnich

Partner, StepStone Group

Kettnich is a member of the private equity team at StepStone Group, focusing on secondaries investments. Since StepStone's inception in 2007, he has helped to build the firm's primary diligence and research platform, as well as its secondaries investment business.



Darren Schluter

Managing director, PJT Park Hill

Schluter began his secondaries career with Landmark Partners in 2007. He later joined PJT Park Hill in 2011 and advises financial sponsors and limited partners on strategic transactions, including fund continuation vehicles, single asset/direct investments, LP fund portfolio sales, team spin-outs, GP stakes and structured solutions involving preferred equity and NAV financings.

After periods where single asset continuation vehicles have been especially active, what stands out about the current market is that activity is across the board.

Leor Landa, partner and head of the investment management practice at Davis Polk, says: "Pricing is strong across a broad slice of the secondaries market, with a positive selection bias bringing high-quality assets from excellent managers into the market. The market is clearly resource constrained, with shortages of both capital and people. We started the year with north of $200 billion in dry powder and we are now somewhere closer to $150 billion – the deployment numbers are big but you have to wonder what they could be without those constraints.

"We are living through the worst fundraising environment in private markets that I have seen in a quarter of a century of practice. But we are still getting record fundraising in secondaries. People see it as a bright spot in the market."

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>
> **LEOR LANDA**
> **Davis Polk**

Darren Schluter, managing director in the PJT Park Hill private capital solutions group, argues the secondaries market is a solutions provider in the context of fundraising challenges. "It is a very challenging fundraising market," he says, "but one in which the secondary market has been a useful tool in select scenarios to aid in generating liquidity for limited partners, freeing up capital for various strategic objectives including primary capital.

"We're expecting strong Q1 2026 deal volume driving continued momentum for the full year. We have seen more new entrants utilize the secondary market as first-time sellers given the current macro environment, who have stated they will continue to leverage the market as an actionable portfolio management tool going forward."

Taking a step back to consider the history of the secondaries market and put the current challenges in context, Robard outlines what he described as "three chapters of secondaries." First was a decade of institutionalization, which ran from 2001 to 2011, when the market emerged, pioneers were established and institutions took notice. Volumes grew from around $5 billion in 2001 to $25 billion by 2011.

Next came a decade of innovation, from 2011 to 2021, where the market expanded from mostly just LP secondaries to single asset continuation vehicles, multi-asset continuation vehicles, preferred equity, NAV lending, GP stakes, real estate secondaries, credit secondaries and more. On the back of this innovation, it grew to $125 billion.

"Starting in 2021, we entered the decade of capitalization," says Robard. "While there is a lot of chatter about new sources of capital coming in, we continue to see the market as being vastly undercapitalized. Given all the innovation over the past decade, in our view this market has become long on opportunity and short on capital. We see the secondaries market as injecting liquidity into an illiquid asset class, and we believe this market is just getting started."

Secondaries has proven to be more than a rainy-day strategy, says Landa: "There is a persistent and false narrative that secondaries are having a moment because M&A and IPO activity are down and this is the only place to get liquidity. Sure, 2024 was our best year ever in secondaries and it was the worst year for M&A and IPOs. But before that our best year for secondaries was in 2021, which was by far the best year for IPOs and M&A. Secondaries is not some derivative market that depends on a lack of liquidity elsewhere, it is its own market with secular reasons why it is growing."

LP attitudes to CVs evolve

Continuation vehicles (CVs) have grown in popularity as a fourth exit option for GPs and now represent 10 to 15 percent of exits.

That is likely a sustainable level at which the market will settle, as limited partners get more comfortable with GP-led secondaries.

While some surveys have suggested LPs would still prefer traditional M&A exits to CV processes, that attitude is changing, according to the roundtable participants.

"A decade ago, sponsor-to-sponsor trades of assets were received with skepticism when they first came out," says Robard. "Today, general market consensus is that one private equity firm can buy an asset from another private equity firm and still do well. Any time there is a market evolution, the innovation is initially met with some level of skepticism. We believe we are in that phase with CVs, but as this new market matures, in five years' time we may see CVs as just another tool in a GP's toolset used to exit companies."

Kettnich says: "Certain aspects of the CV market still need to evolve. For example, the burden on LPs to evaluate these processes is still an issue. Right now, we see a lot of forced sellers because LP approval processes do not fit within the timelines that brokers allow. The future of the CV market will require LPs to take a much more active role in managing their portfolios. We don't want to see investors forced to sell their best assets."

The process of change is not always smooth, so the innovations around CVs are still bedding down. But there is growing recognition that, when done correctly, CVs should represent a win for GPs, roll-over LPs, exiting LPs and new money. "Over the course of this year, our team has had conversations with a multitude of select LPs, helping them to institute a framework to review GP-leds on tighter timelines," says Schluter. "These LPs are focused on making more informed decisions for the benefit of their portfolio and underlying constituents. In addition, more sponsors are actively considering incorporating CV technology into their ecosystem. The market is being converted one GP and one LP at a time."

Kettnich adds: "LPs want to see exits through all channels. It's good for GPs to think innovatively about selling into CVs, but it's equally important for them to know how to take companies public and sell in the M&A markets. Investors want GPs who really know how to maximize value and that does not mean selling every company into a CV."

Single asset versus multi-asset

There is some sense in the market that single-asset CVs are the focus of activity today, while multi-asset deals are more challenged.

Schluter says: "When you look at

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> **YANN ROBARD**
> **Dawson Partners**

new entrants, the vast majority are leveraging their direct investing experience and are focused on gaining exposure to high-quality companies through multiple avenues, direct or via secondary.

"From an investor's perspective, multi-asset deals represent an opportunity to invest in a diversified portfolio, but it is about having the right composition of assets and believing in the strategic rationale of the transaction."

Landa says there has also been a big shift in the secondaries buyer mindset, away from a focus on diversification and towards more buy-side excitement about single assets. "It is easier for single asset CVs to tell a narrative, because it is portfolio company level," he says. "When it is multi-asset, it's a fund level narrative. But we are seeing all types of deals getting done: single assets, multi-assets, multi-funds, concentrated portfolios and broader portfolios."

Robard says different buyers will focus on different types of transactions depending on their risk-return requirements, with the result being a specialization of the secondaries market: "Five years from now, we are not going to benchmark secondaries as an asset class: there will be sub-asset classes such as preferred equity, LP secondaries, levered LP secondaries, single-asset CVs, multi-asset CVs, fund restructurings and more. Each sub-asset class is no better, no worse, they just have inherently different risk-adjusted return profiles."

Growth is also taking place across private credit secondaries, real estate secondaries and infrastructure secondaries, which will eventually have their own respective benchmarks. Robard adds: "As an LP trying to add to your portfolio, it is about having eyes wide open. What are you looking for in your portfolio? What is the targeted risk-return? Knowing that the more concentrated a portfolio gets the more variability it may have and then picking the best manager in the strategy that will be additive to your portfolio."

As performance data becomes increasingly available across all of those strategies over time, fueled by demand for information from private wealth capital coming into the market, investors will be able to make more informed decisions.

LP secondaries continue to scale

Many of the headlines about the LP secondaries market this year have focused on the increased activity by US university endowments.

Universities facing financing uncertainty as a result of federal policy changes have been looking to sell to improve liquidity, while across the market there has been a spotlight on over-allocation as everyone awaits distributions.

Landa says: "The over-allocation issue is a micro cycle. But the world of just purely passive large portfolios letting GPs decide when and how they get liquidity is a world of a decade ago. We now live in a world of active portfolio management and that is not going away."

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> **StepStone Group**

This year saw a meaningful uptick in first-time LP portfolio sellers but also saw some programmatic sellers bringing several portfolios to the market across the year. "Rather than bringing a multi-billion portfolio to market, those sellers opted to bring out two to three targeted portfolios to the market to achieve specific goals," says Schluter. "This year was the first time we have seen this multi-transaction coordinated market strategy across multiple sellers."

Kettnich pointed to a recent StepStone survey of LPs, which found that while the vast majority are now using the secondaries market, only 12 percent do so because they feel over-allocated.

Rather, 70 percent are motivated by active portfolio management. "That is the key theme," says Kettnich. "LPs are taking more control and being proactive about generating liquidity across their portfolios."

With the secondaries market set to continue scaling and hopes that new entrants and new investor bases can address undercapitalization and resource constraints, what are the risks that lie ahead?

Robard says: "New capital coming into this industry is a positive, but it has to be with the right process, the right structure and the right mindset. Generally speaking, the industry has been moving towards a win, win, win approach – for sellers, buyers and GPs – and my advice to new entrants is to maintain that mindset, because then the industry can flourish."

Over the long term, Kettnich says, secondaries remains a compelling asset class. "The tailwinds are there. There are some short-term questions around cycle risk when public markets are at an all-time high. But secondary pricing can remain strong in environments where liquidity is high and public markets are trending up and to the right.

"There will be blips along the way, but the amount of capital the industry can raise will ultimately dictate the transactions volumes and determine whether this market can hit that $1 trillion mark by 2030."

Landa argues there are a lot of secular reasons to expect continued growth. "This market has done a good job of setting best practices that are thoughtful," he says.

His note of caution? "It is clear the regulators have had their eye on secondaries for a long time, especially on the GP-led side. Even though we are now in a less 'gotcha' regulatory environment, there is still going to be enforcement of low-hanging fruit, and if there are a bunch of blow-ups and we start to see a bit of friction between LPs and sponsors, tighter regulation is a risk."

Schluter says the market will continue thriving as a solutions provider to both GPs and LPs.

"The secondaries market needs liquidity as well, and it will benefit from the continued resurgence of the M&A and IPO market, as well as round trips on fully realized continuation vehicles that will have a positive effect on future fundraising," he says.

"As long as the market continues to diligently deploy capital while addressing the portfolio management objectives of the greater alternatives market, we can expect more growth to come."

While 2025 is shaping up as one for the record books, the consensus at the roundtable was that a new wave of capitalization is set to drive even more dealflow in the years ahead. ■