

EXPERT COMMENTARY

As private markets have continued to expand, the secondaries market has become increasingly indispensable in delivering liquidity to private markets, writes Dawson Partners' Yann Robard



Predicting a \$300bn year for secondaries

At the start of 2025, we predicted secondaries transaction volume would reach \$200 billion. While viewed by some as ambitious at the time, the outcome ultimately validated that perspective. In fact, the market exceeded our own predictions, with volumes reaching approximately \$225 billion, representing 40 percent growth over 2024's \$160 billion. This marked a second consecutive record-breaking year and a six-fold increase from the nearly \$40 billion recorded in 2016, as shown in chart 1.

Looking ahead, we expect this momentum to continue. In 2026, we predict the secondaries market will

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reach \$300 billion in annual transaction volume, split evenly at \$150 billion in LP-led transactions and \$150 billion in GP-led transactions. This would represent a 33 percent increase year-on-year and a third consecutive record-setting year. More importantly, in our view, this growth underscores the degree to which the secondaries market has evolved to become increasingly indispensable in delivering liquidity to private markets.

While current private market stress

has accelerated secondaries adoption, we believe this is not just a cyclical phenomenon. Periods of dislocation have historically educated market participants and expanded the use of available tools – a dynamic observed in prior downturns such as 2001 and 2009. Each of these prior cycles has left the secondaries market larger and, in our view, more sophisticated and more embedded within private markets.

Pent-up liquidity needs drive 2026 volumes

We expect a primary driver of near-term secondaries growth to be a sustained lack of liquidity across private

markets. Over the past three years, distributions have slowed materially, prompting both LPs and GPs to increasingly rely on the secondaries market. LPs are increasingly using secondaries to address persistent over-allocation challenges, while GPs are increasingly turning to GP-led transactions to generate distributions.

Over the past 25 years, there have been only six years in which private equity distributions fell below 20 percent of NAV; and notably, three of those years were 2023, 2024 and 2025. This represents the slowest period of liquidity in a quarter century, as can be seen in chart 2, and has created significant pent-up demand for liquidity solutions.

LP-led portfolio sales: from reactive tool to active portfolio management

In the near term, constrained liquidity has left many LPs overallocated to private equity. At the end of 2024, approximately 40 percent of LPs reported being somewhat-to-very constrained by allocation limits, according to *Private Equity International's LP Perspectives Study 2026*. By the end of 2025, that figure had risen to over 50 percent. This is despite a strong public market rally that would typically provide some relief. We believe this

persistent imbalance is likely to drive LP-led volumes in 2026 as a means to reduce overallocation.

Over the medium term, some LPs expect distributions to normalize and alleviate these pressures. However, if distributions normalize, capital calls are also likely to increase as deal activity rebounds, creating a “treadmill” effect where inflows and outflows may offset one another.

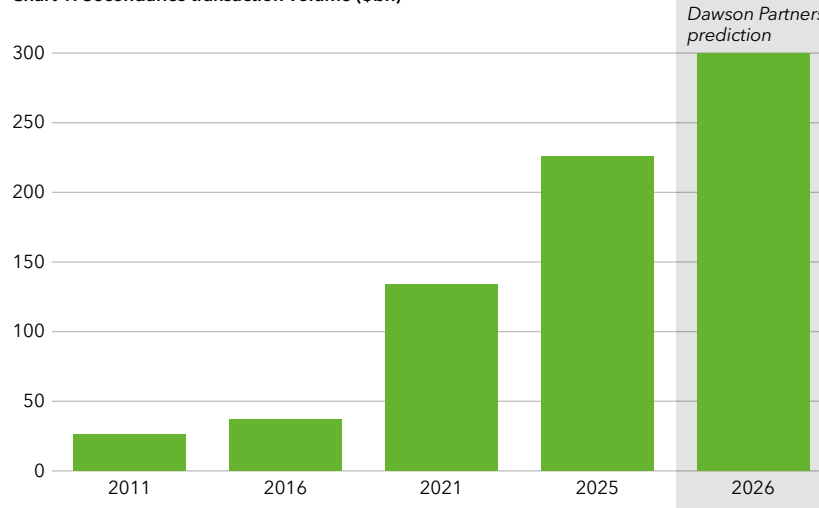
Over the longer term, we believe a structural shift is underway. As LPs grow more comfortable with secondaries, they are increasingly using the

market as an active portfolio management tool; managing vintage exposure, adjusting manager concentration, and rebalancing across strategies and geographies. As a result, secondaries activity is becoming less episodic (cyclical) and more programmatic (structural), with more than 50 percent of sellers now repeat participants.

GP-led continuation vehicles: from liquidity tool to ‘fifth exit option’

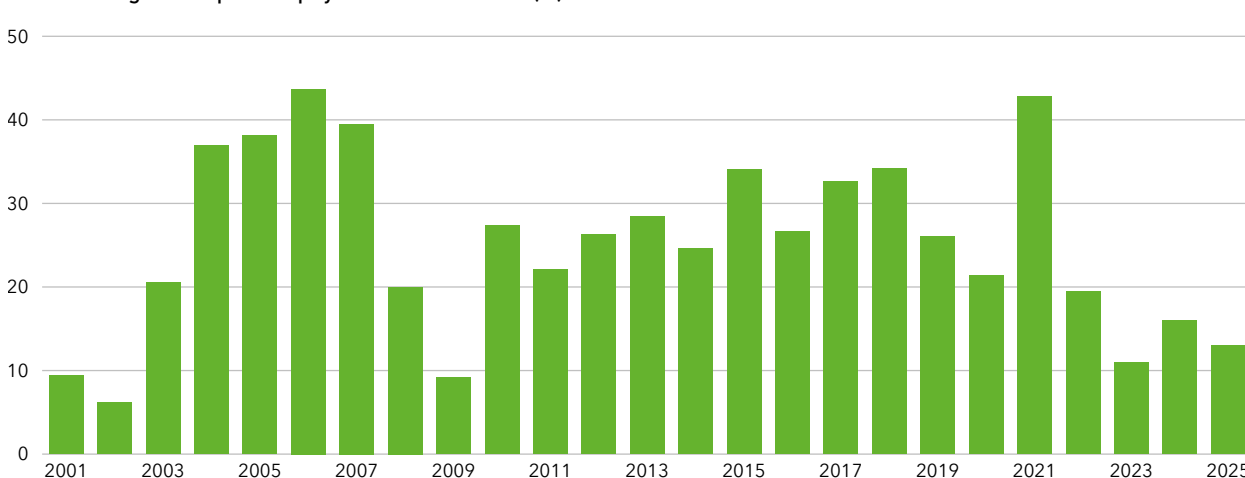
For GPs, GP-led transactions have become an increasingly important

Chart 1: Secondaries transaction volume (\$bn)



Source: Evercore PCA 2025 Secondary Market Report, February 2026, for 2011-2025 data

Chart 2: Average annual private equity distributions over NAV (%)



Source: MSCI data as of April 30, 2026 for 2001-2025

mechanism for generating liquidity. In particular, continuation vehicles have grown from 5 percent of buyout exit volume in 2021 to 14 percent in 2025, per Jefferies data, reflecting both increased adoption and greater LP focus on distributions.

Today, GP-led transactions are emerging as a more widely accepted exit pathway alongside IPOs, strategic sales, sponsor-to-sponsor transactions and dividend recapitalizations. Notably, 83 of the top 100 GPs have completed at least one continuation vehicle, with 63 completing multiple transactions, according to a recent Morgan Stanley report.

Looking ahead, we expect this trend to continue. Bain reports that 40 percent of GPs anticipate pursuing a continuation vehicle within the next one to two years. While some debate remains, in our experience innovation in private markets has historically followed a similar trajectory; initial skepticism followed by broader acceptance. Case in point, sponsor-to-sponsor transactions were initially met with skepticism when they emerged in the early 2000s but are now widely accepted as a standard exit pathway for private equity investments.

Over time, we expect GP-led continuation vehicles to represent 10-20 percent of annual exit activity, consistent with their current share of around 15 percent. Could the market soon see continuation vehicles as a complementary “fifth option” in the GP toolkit, rather than a replacement for more traditional exits? Time will tell.

Market is long on opportunity, short on capital

In our view, the key constraint to reaching \$300 billion in volume is not demand, it is capital. We believe the opportunity set is deep and growing, but the market remains capital constrained.

Case in point, in 2025, approximately \$225 billion was deployed versus \$187 billion raised, according to *Secondaries Investor* fundraising data. While it was a record year for

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fundraising in the secondaries market, dry powder declined. We believe the market is operating in “raise and deploy” mode. Said differently, whatever is raised in the year gets deployed.

That puts the focus squarely on 2026. Can secondaries funds raise enough capital in what remains a challenging fundraising environment? We see the market adapting in three ways.

First, we expect closed-end drawdown secondaries funds to continue to scale. Notably, three of the 10 largest private equity funds raised in 2025 were secondaries funds, highlighting both LP demand and the growing institutionalization of the strategy.

Second, we expect evergreen structures to enable more continuous capital raising and broader access. With proper liquidity management and governance, they can complement, not replace, closed-end drawdown funds.

Third, we are seeing new entrants,

particularly traditional buyout firms, increasingly participating in the continuation vehicle market, bringing additional capital and expanding the buyer universe.

Bridging duration and flexibility

Private equity is built on more patient, longer-term capital relative to public markets, but that comes with inherent illiquidity. As the asset class has scaled, we have seen the tension between GPs’ need for duration and LPs’ need for flexibility become more pronounced.

Secondaries can help bridge that gap. They allow GPs to continue with their objective of value creation while giving LPs more tools to actively manage liquidity, rebalance portfolios and respond to changing market conditions.

Against this backdrop, we expect the secondaries market to reach \$300 billion in 2026, split evenly between LP-led and GP-led transactions. We believe this growth is not purely cyclical or structural, but instead it reflects both dynamics, alongside the continued evolution of private markets.

Continued growth

The secondaries market is becoming an increasingly core provider of liquidity for private markets. What was once a more reactive solution is increasingly becoming a proactive tool for both LPs and GPs.

While current secondaries volumes may be driven by more near-term liquidity needs, we believe that there is a longer-term structural shift at play. As adoption deepens, secondaries can help reconcile the fundamental balance between the need for both long-term capital and portfolio flexibility.

In that context, we believe that continued growth is less a question of ‘if’, and more of ‘how’ quickly the market continues to evolve. ■

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