CVC

Secondaries in the Spotlight

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With the role of private equity secondaries firmly established in private market portfolios, we examine five key attributes of the strategy that have helped to sustain its growth for the past two decades.

Key Attributes

Strategic flexibility: The secondary market delivers optionality in an illiquid asset class. Secondary solutions, structures and transaction types continue to innovate and proliferate in line with the evolving needs of buyers and sellers.

Shorter path to liquidity: Compared to primary investments, secondaries typically deliver faster return of capital and reduced J-curve effects, alleviating liquidity constraints – a key concern for investors today.

Access to seasoned assets: Secondaries investments reduce blind pool risk by targeting assets already progressed in their value creation plans. This allows buyers to underwrite the path forward instead of an investment thesis, while providing a structure to "backfill" sought-after vintages.

Consistent performance: Secondaries typically generate superior median returns with lower volatility than other private market strategies, reflecting structural advantages including a discount at entry, expedited liquidity profile, diversification and informed manager selection.

The rise of GP-led transactions: With transaction volumes expanding and more leading sponsors bringing high-quality assets to market, GP-led transactions have become an established component of the private equity landscape, providing access to star assets that sponsors have elected to hold for the next turn of value.

Strategic flexibility

As an established strategic tool in portfolio management, secondaries continue to see strong momentum, with rising transaction volumes anchored in enduring structural demand drivers that have developed over more than two decades.

Fundamental drivers are varied but centre on a few key themes. Buyers gain greater insight into underlying holdings, seasoned portfolios with visible track records, accelerated cash flows with shorter J-curves and access to assets at discounted valuations.

For sellers, secondaries offer a rapid route to liquidity and portfolio recalibration, critical advantages in an era of muted distributions and lengthening portfolio company holding periods.

Strategic flexibility is the common thread on both sides of transactions. The market today encompasses an expanding base of participants and intermediaries, sophisticated pricing analytics and a broadening menu of deal structure options.

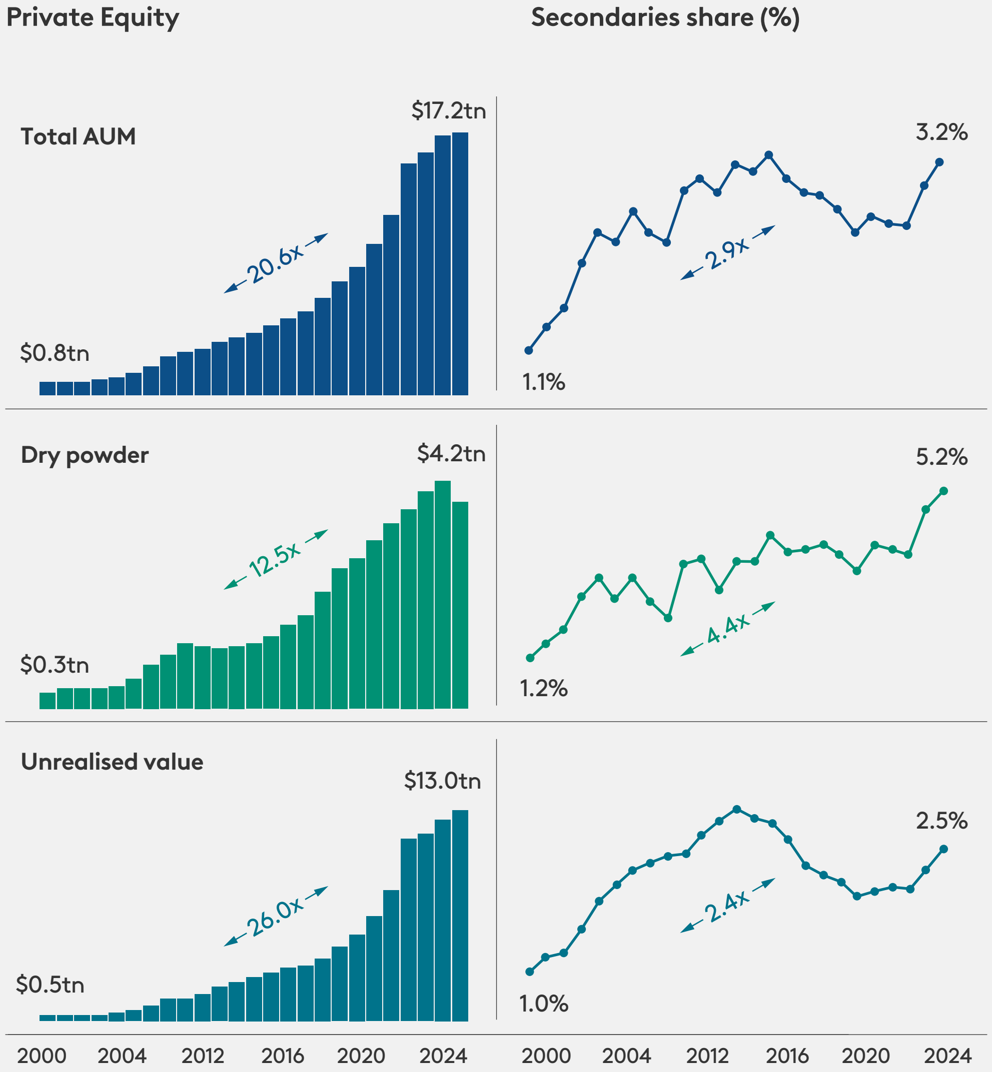
The ability to structure bespoke solutions has become standard practice. Beyond straightforward fund-interest transfers, investors now have access to preferred-equity tranches, tender offers and hybrid strip sales blending primary and secondary capital.

With the market's breadth, depth and sophistication continuing to expand, secondaries are providing greater portfolio-level optionality, leading to more durable, through-the-cycle drivers of activity.

This dynamic has already pushed secondaries' share of private equity AUM to nearly triple its 2000 level, with momentum accelerating further since the pandemic (Exhibit 1). In absolute terms, this equates to a c.60x rise in secondaries assets since 2000, to a total of $550bn in 2024. In comparison, the wider private equity industry grew by c.20x to $17.2trn in the same period.

In 2025, transaction activity has continued to rise. In the first half, volumes rose to a record $103bn, three-quarters of which came from private equity.[1] At this pace, the market is on course to surpass 2024's record $162bn in annual activity.

Exhibit 1
Secondaries' structural ascent



Sources: CVC analysis of Preqin data. As of 31/12/2024.

1 Jefferies, Global Secondary Market Review, July 2025.

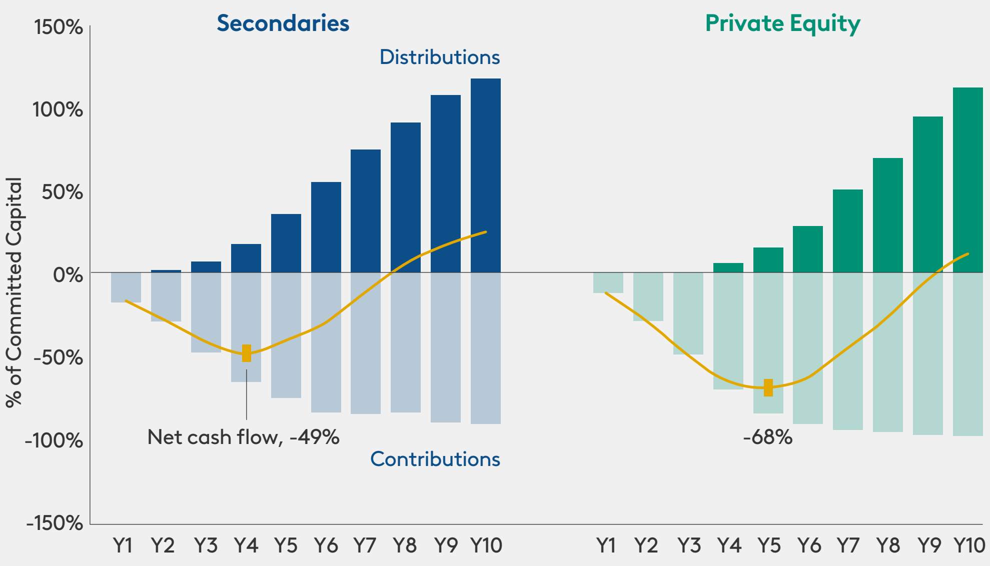
Shorter path to liquidity

By acquiring assets that are well advanced in their value-creation cycle, secondaries funds typically deliver faster distributions and a shallower J-curve, providing portfolios with a stream of distributions from early in the fund life, a valuable trait in today's environment.

Exhibit 2 underscores the point. Based on median averages across 2007 to 2021 vintages, a $100 commitment to secondaries would have generated a peak net outlay of just $49 (39% less than the broader private-equity universe) and flipped to positive net cash flow two years sooner.

In a market where exit timelines have lengthened and distributions have slowed, secondaries front-loaded DPI gives allocators clearer visibility on cash flows and exposure levels, translating into tighter liquidity planning and more efficient portfolio management.

Exhibit 2
Secondaries deliver faster distributions with a lower max cash outlay



Sources: Preqin, CVC. As of 30 June 2025. DPI and called capital trends for secondaries and private equity funds are based on the Preqin Secondaries – All (39) and Private Equity – All (223) benchmarks for 2007–2024 vintages as reported at year-end in each calendar year. Called capital and DPI calculations are based on median averages of the vintage-level medians. Past performance is not an indicator of future results.

Access to seasoned assets

Within private markets, secondaries offer investors distinctive advantages in terms of both access and selection. Unlike primary commitments, they open a window into existing portfolios, providing diversification by geographies, sectors, sponsors, vintage years and market-cap exposures.

By reducing blind-pool risk, secondaries also enhance underwriting confidence. Investors can assess managers with full knowledge of underlying portfolio companies, evaluating not only current trajectories for asset performance but also longer-term GP track records with greater clarity.

Vintage diversification, in particular, is a unique feature. Secondary managers can calibrate allocations across a spectrum of fund vintages, effectively "backfilling" portfolios with sought-after managers by year of fund launch – an option unavailable in other private markets strategies.

Equally, the secondary market affords investors a pathway into coveted GP relationships that might otherwise be closed, or heavily skewed toward incumbent LPs.

Taken together, these attributes can underpin a more calibrated, risk-aware approach to private-market investing.

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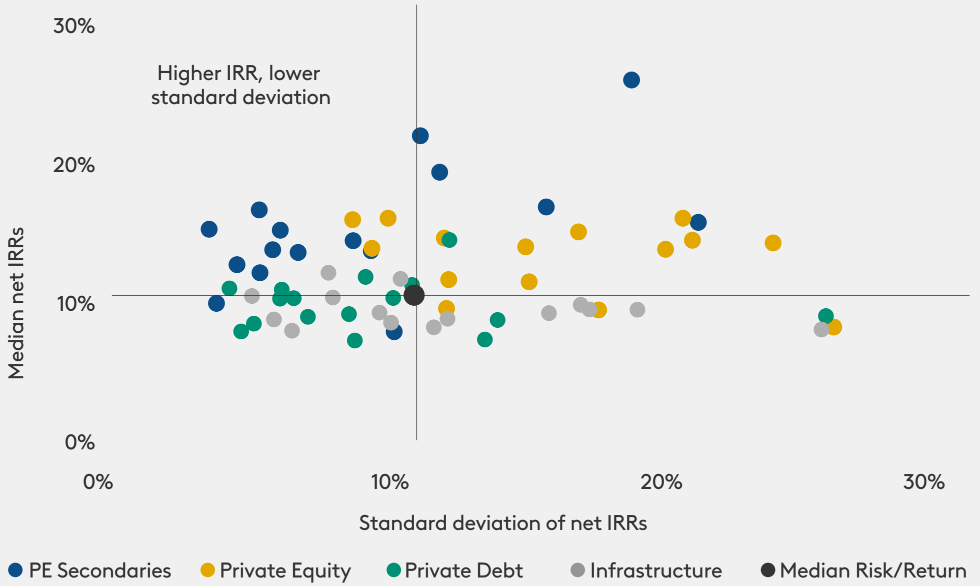
Consistent performance

Historically, secondary vintages have delivered higher median returns than other private-markets strategies, with significantly lower dispersion across funds' net IRRs (Exhibit 3).

Much of that stability stems from the very architecture of the asset class. Features such as accelerated distributions, informational advantages that tilt selection toward stronger assets and managers, as well as diversification across seasoned, partially de-risked holdings act as natural stabilisers.

Exhibit 3
Secondaries: Higher median returns with lower fund volatility



Sources: CVC analysis of Preqin data. Data includes private market benchmarks by asset class for 2007 to 2022 vintages. Performance as of 31 December 2024. Chart excludes vintages with standard deviations in Net IRRs >60% (Infrastructure, 2009; Private equity, 2016). Past performance is not an indicator of future results.

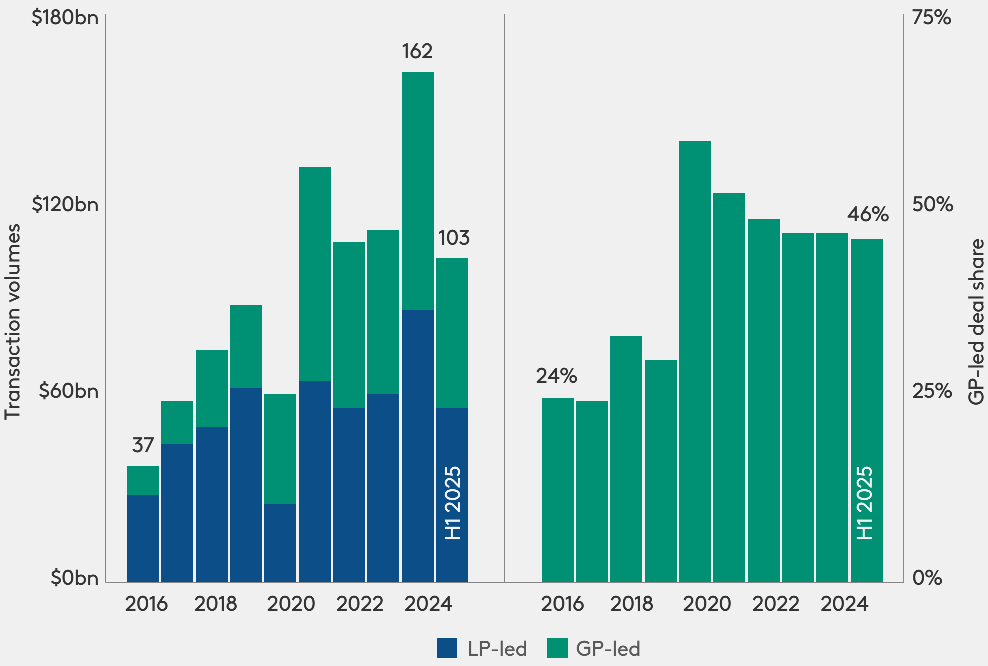
The rise of GP-led transactions

Within the secondaries market, GP-led transactions have expanded over recent years, growing from 24% of volumes in 2012 to nearly half today (Exhibit 4). Their rapid growth reflects strong buyer demand and their increased use by sponsors, with rising numbers of leading GPs bringing higher-quality assets to market.

At a time when IPOs, strategic trade and sponsor-to-sponsor exits have become more constrained, GP-led deals are providing managers with valuable realisation optionality.

Exhibit 4

GP-led transactions amplify opportunities



Sources: CVC analysis of Jefferies data. Jefferies, Global Secondary Market Review, July 2025 and previous editions; CVC. As of 25 July 2025.

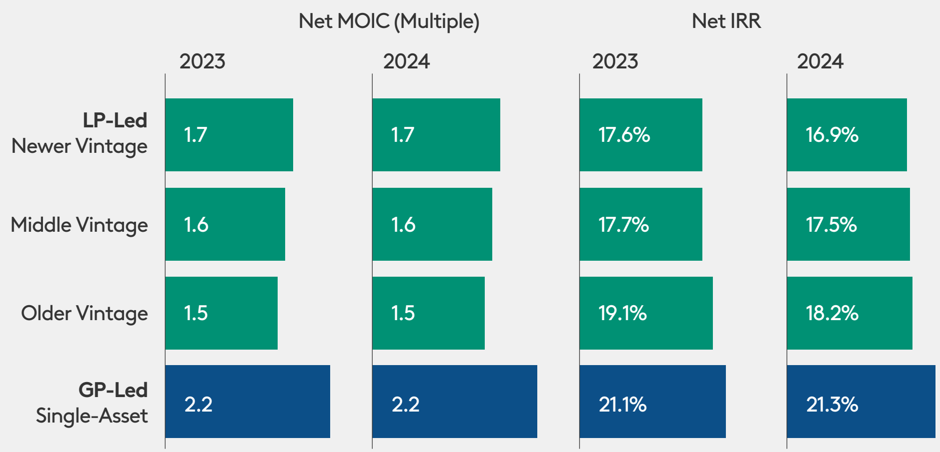
However, their rapid adoption also points to a broader structural evolution, with GP-led deals now serving as a routine mechanism for extending ownership and optimising investment outcomes. These transactions allow GPs to realise further value creation potential by lengthening investment horizons of their best assets and avoiding selling to a competitor.

This shift has made single- and multi-asset transactions a defining feature of today's opportunity set. Three-quarters of leading GPs have now completed deals, and transaction sizes are trending larger.[2] Continuation vehicles, in particular, have emerged as the structure of choice, offering sponsors flexibility to extend ownership of prized companies, rebalance portfolios and deliver interim liquidity to LPs.

For investors, the transactions represent a compelling opportunity within the secondaries market, they provide investors with concentrated stakes in seasoned assets managed by top-tier sponsors. The growing interest in the market is therefore unsurprising. A recent survey indicates that investors now target higher returns from GP-led single-asset transactions (Exhibit 5), underscoring why these are among the most sought-after deals in the secondaries market.

Exhibit 5

Buyers target higher returns via GP-led deals



Sources: Jefferies, Global Secondary Market Review 2024 (January 2025).

2 Jefferies, Global Secondary Market Review, July 2025.

Conclusion

Secondaries have become a core component of a private-markets allocation, powered by structural demand and enabled by an innovative and dynamic marketplace more than two decades in the making.

Their enduring appeal lies not in cyclical dynamics, but in a durable set of advantages that continue to resonate with investors. This includes a unique combination of strategic flexibility, accelerated distributions, enhanced access and selectivity, consistent returns and the maturing GP-led market.

Record deployment testifies to their growing centrality. With investors requiring greater flexibility, liquidity visibility and diversification, secondaries are playing an increasingly integral role in modern portfolio strategies.

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