



PEFOX — SECONDARIES MARKET COMMENT

Dear Reader,

I hope you are well.

We are pleased to share with you our secondaries market observations and commentary for this quarter:

Q1 2026 — Summary

KEY THEMES — Q1 2026

- Record secondary volumes are expected to extend into 2026, with annual deal flow projected to approach \$250bn.
- Special guest comment by Matthieu Ducharme, Head of Private Equity Secondaries at BNP Paribas Asset Management.

Market Pricing

- Refinancing costs remain elevated, exit routes remain congested and the gap between reported NAVs and transaction reality is widening. **Congratulations to the sophisticated sellers who sold last year.** The timing looks impeccable. That is not to say the window has closed. Conditions are now more balanced but still favour sellers. While buyer pricing shows significantly more caution, it is still surprisingly strong and **affords LPs a way to break the liquidity logjam.**

The reason is straightforward. Assets are often carried at valuations that may prove difficult to realise in current exit markets. In an extremely challenging fundraising environment, most GPs prefer to kick the can down the road. That may help GPs to avoid embarrassment but it kills liquidity for LPs.

- **Exacerbating the issue, GPs continue to mark up portfolios.** Our analysis of listed private equity managers reporting to be seen. It only acts as another log to further jam the market.

- **Perhaps no wonder, then, that the secondaries market continues to go from strength to strength as LPs seek to bypass managers and get liquidity directly by selling their stakes.** Volumes are at all-time highs and established



Chart 1 — PEFox Average Secondary Pricing. Source: PEFox Library

- As buyers become more nervous and sensitive to the growing macro uncertainties, pricing dispersion across the secondaries universe underscore a clear bifurcation. While average pricing is at a mid-teens discount, **approximately 12% of funds traded above 95% of NAV on Q3 marks** (with 1% of funds even achieving a premium). There is a clear preference for quality and pricing reflects this.
- **What is also notable is the long tail of interests that price at a >25% discount to NAV.** This reflects uncertainty over NAV defensibility, limited exit visibility, rising refinancing pressure and bid-ask spreads wide enough to deter all but opportunistic capital.

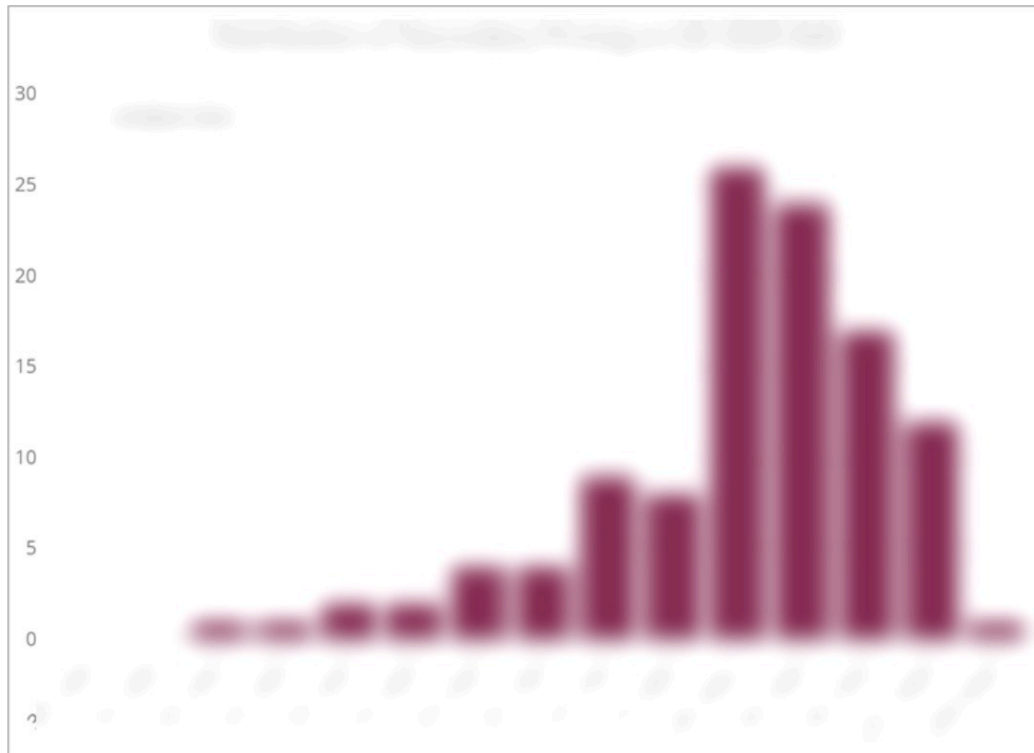


Chart 2 — Distribution of Secondary Pricing on Q3 2025 NAV. Source: PEFOX Library

- **Brand-name buyout, core infrastructure and senior private credit continue to trade in the high-80s to mid-90s as a percentage of NAV.** For now, appetite for these strategies remains firmly intact.
- **Larger discounts persist in commercial real estate, traditional energy and special situations,** where exit timelines and asset quality concerns keep buyers selective.
- Geographic dispersion is pronounced. **US and European portfolios continue to price in the high-80s,** supported by deep buyer pools and stronger asset quality.

markets.

buyers turn more cautious and increasingly factor in a deteriorating outlook against a stagflationary economic background.

Fund Strategy Pricing — Q3 2025 NAV Basis

Fund Strategy	Pricing (Q3 2025 NAV)
Buyout (Large and Mid Cap)	
Infrastructure (Core Plus)	
Private Credit (Senior)	
Mezzanine	
Growth Equity	
Energy (Renewable)	
Fund of Funds (Primary & Secondary)	
Energy (Traditional)	
Real Estate (Residential)	
Venture Capital	
Private Credit (Distressed Debt)	
Real Estate (Commercial)	
Special Situations	

Table 1. Average secondaries pricing. Source: PEFOX Library, Secondary Pricing Database.

Market Volumes

- Secondary market activity has remained structurally elevated into 2026, building on record volumes in 2024–2025. **We** rebalancing and persistent liquidity needs amid a slower exit environment.
- The behavioural shift among large, sophisticated LPs is telling. **Annual rebalancing windows** are replacing ad hoc sales as an increasing share of portfolios are actively managed (on a fairly rhythmic, recurring basis) rather than held to maturity.
- **The recent public market sell-off will only exacerbate this**, with LPs generally overallocated to alternatives and likely facing renewed pressure to trim.
- **Even before the close of Q1 2026, the pipeline of large portfolio sales underscores sustained supply from both**

consolidating legacy assets via a structured secondaries solution.

and non-core clean-ups.

expand rapidly and we expect this to accelerate given a change in broader market sentiment to this strategy.

Guest Comment by **Matt Ducharme**,
Head of Private Equity Secondaries **BNP Paribas Asset Management**



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in a higher-cost-of-capital environment, **many of these positions are unlikely to clear at current marks without material price concessions.**

vessels.

Listed Managers Take a Fall

- **Private market pricing data is, by its nature, opaque – and in volatile markets, LPs can find it especially difficult to get a reliable sense of where assets are truly clearing.** Listed prices can provide a useful, if imperfect, insight into pricing.
- **Private valuations being carried in these** exposure – particularly among managers who have expanded aggressively into semi-liquid, retail-oriented products.
- **The implications for the reliability of NAVs is becoming harder to ignore.** Private valuations being carried in these

Share Price Movement for Listed Managers

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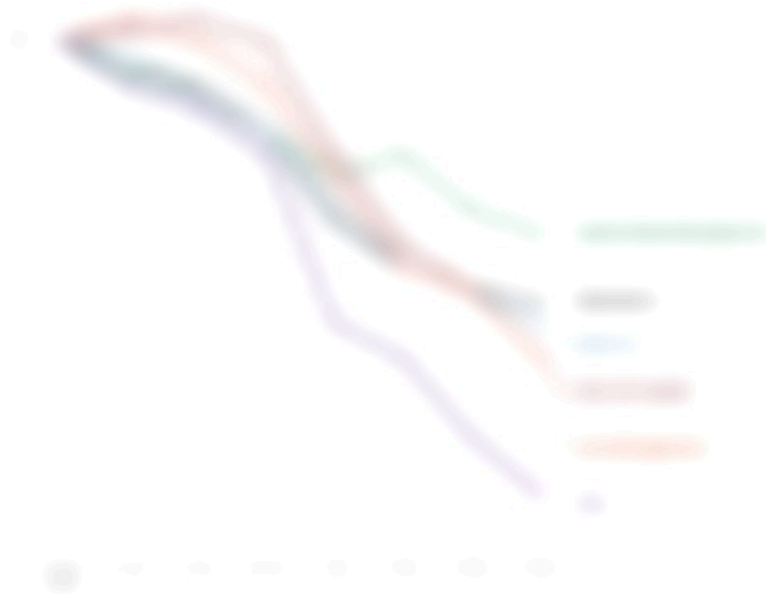


Chart 3 — Listed PE funds of funds: discount to NAV (%). Source: LSE / Bloomberg / PEFUX.

Resurgence in Demand for Real Assets

- Whatever else AI can do, it cannot change the **inherent value of real assets** that we all use and depend upon.
- Much of venture and growth equity is built on long-duration cashflows, multiple expansion and the persistence of subscription models. If generative AI lowers barriers to software creation and erodes pricing power for mid-tier platforms, the risk premium attached to those long-duration assets rises.
- Buyers are showing strong interest in real assets such as **infrastructure, energy, property, timberland and agriculture**. These are regarded as naturally defensive in nature, anchored in physical scarcity, contractual cashflows and tangible demand.
- For a number of buyers, real assets offer income visibility, **inflation linkage** and lower dependence on terminal multiples – a combination that looks increasingly attractive as long-duration digital assets come under pressure.

2025 rather than triggering a true market rotation.

Iran: Pandora's Box Has Been Opened

world even **deeper into a costly Cold War**, where adversaries compete to secure natural resources and control.

- The **starting pistol has surely been fired for the worst regimes around the world to acquire the deadliest of**

global economy, with interest rates almost certainly now locked in a higher-for-longer pattern.

China: A Rebound in Interest

- Recent US political unpredictability has sharpened the incentive for **global investors to reassess concentration risk in dollar-denominated assets**.

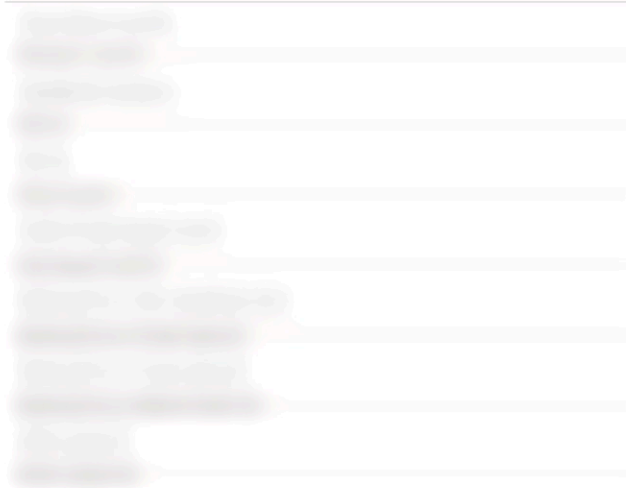
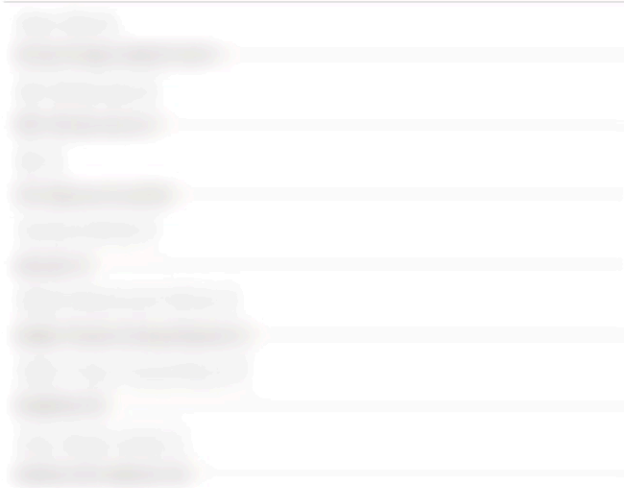
meaningful discounts to US peers, policy support has been more explicitly growth-oriented in certain sectors and Hong Kong offers exposure to the mainland while retaining liquidity.

- For allocators structurally overweight US assets after a decade of outperformance, the **case for trimming and adding to under-owned markets** can be framed as disciplined portfolio construction rather than a directional macro bet.
- China's own risk set remains material, however. Regulatory intervention, geopolitical tensions, technology restrictions and the overhang from property and local government balance sheets **continue to weigh on foreign risk appetite**.
- For many investors seeking genuine diversification, **Europe remains the more obvious destination** – and for those

The PEFOX Library

- PEFOX's proprietary research supports our secondaries advisory business, where we act as an **advisor to investors seeking to divest LP stakes**.

hundreds of LPs globally, including sovereign wealth funds, pension funds, insurance companies, family offices and endowments.

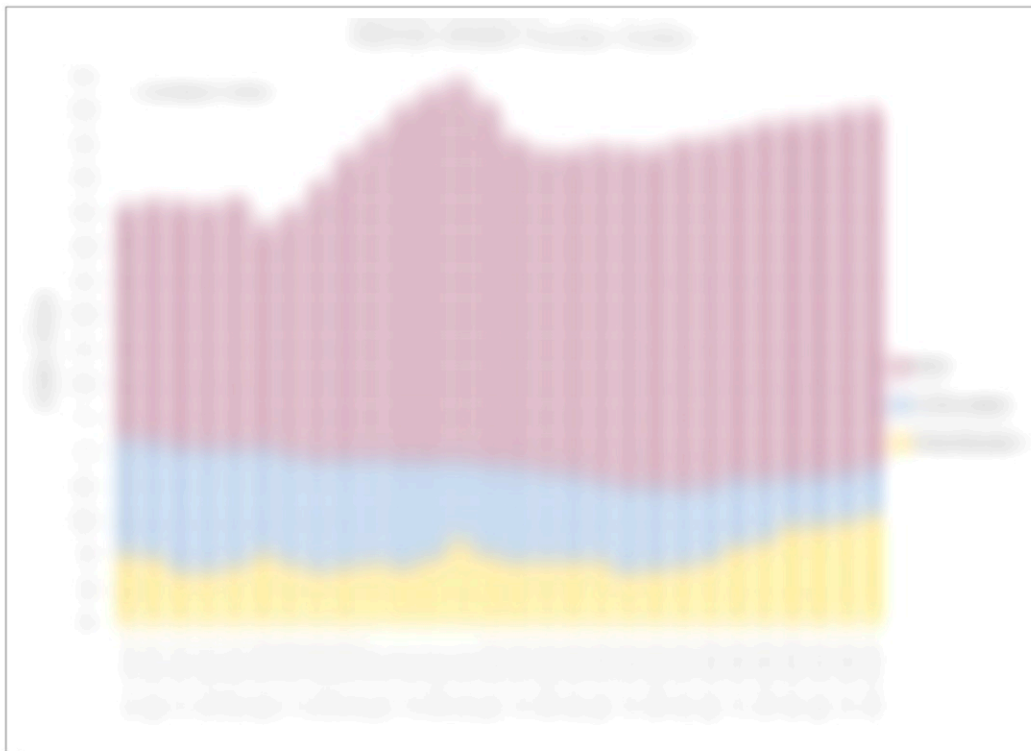


Performance

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strategies.

- We are grateful to the Board for providing world-leading levels of **transparency on its investments**. It means we do not need to rely upon abstract benchmarks and can instead look directly at “real-life” data from a significant institutional investor.



Current Secondaries

PEFOX is a global private equity secondaries advisor specialising in sophisticated private market portfolio management solutions for limited partners. We have seen a record level of deal flow this year and we are currently actively advising on **buyout, venture, private credit and infrastructure secondary transactions**.

For more information on our current deal flow, please contact us and we would be happy to provide more information on the live transactions we're working on where appropriate.

ACCESS THE PEFOX LIBRARY

Secondary market pricing data, including transaction comps across 20+ private market fund strategies.

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*We would be happy to discuss the secondaries market with you and share further thoughts if that might be of interest.
If so, please let us know when would work best for a call to discuss.*



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