



PEFOX

Secondaries Market Comment

Summary

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Market pricing

- How far we have come. Not so long ago, selling in the secondary market carried a whiff of disgrace. To part with one's fund interests was to invite suspicion of folly or distress- sometimes both. Today, the stigma of selling has vanished. Indeed, **the groups selling right now are among the world's largest and most sophisticated limited partners.** Tens of billions of dollars of assets are being supplied to the market, pushing volumes to heights once thought fanciful.
- Why, then, the rush for the exit? Here's a clue: it's not the denominator effect. Investors are selling for a simpler reason: because the market allows them to. **This is a sellers' market** and the shrewdest investors know conditions have not been this favourable for many years.

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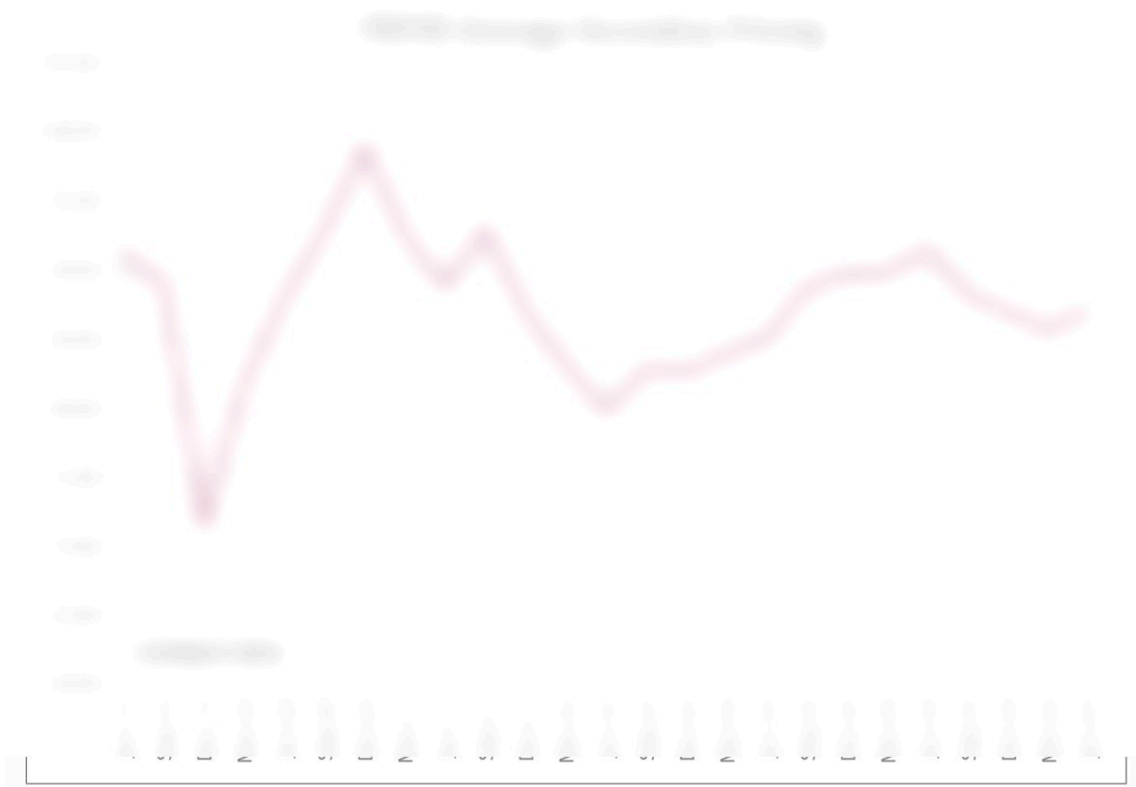


Chart 1. Source: PEFOX Library, Secondary Pricing Database. The x-axis is the NAV reference date.

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Fund strategy
Buyout (Large and Mid Cap)
Infrastructure (Core Plus)
Private Credit (Senior)
Mezzanine
Energy (Renewable)
Fund of Funds (Primary and Secondary)
Energy (Traditional)
Real Estate (Residential)
Growth Equity
Venture Capital
Private Credit (Distressed Debt)
Real Estate (Commercial)
Special Sits.

Table 1. Source: PEFOX Library, Secondary Pricing Database.

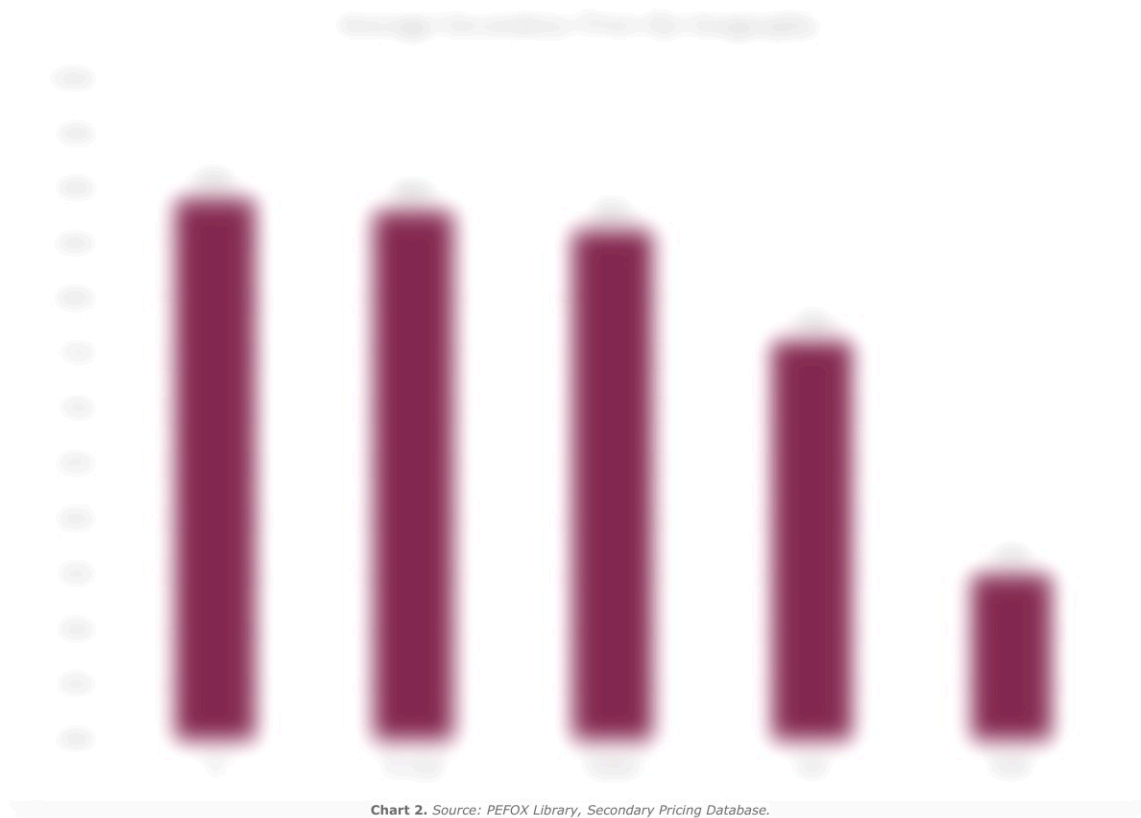


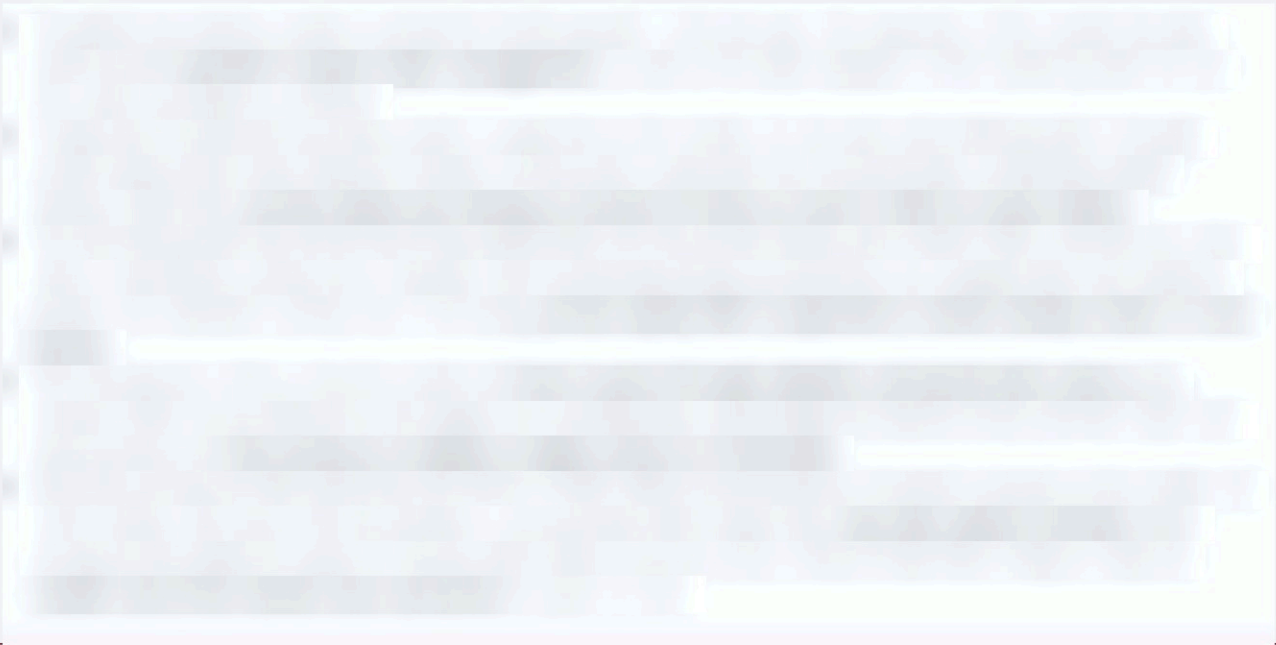
Chart 2. Source: PEFOX Library, Secondary Pricing Database.

Market volumes

- **Buyout stakes dominate**, accounting for 55% of YTD volume, while venture/growth strategies have doubled to over 20%. Private credit remains in the low teens, though **infrastructure has grown significantly**, tripling to 10%.
- These trends are underpinned by LP demand for liquidity. With traditional exits constrained, investors increasingly **use secondaries to improve liquidity** and reshape portfolios.
- private credit, often where they have not re-upped. **Those accepting wider discounts are rationalising portfolios**, divesting older vintages, lower-conviction strategies and non-core regions such as Asia and MENA.
- Strong buyer demand from **dedicated secondaries funds, retail channels and opportunistic investors** has narrowed the bid-ask spread for such processes, increasing the proportion of successful sales processes.
- secondaries remain elevated as LPs trim allocations and reduce GP relationships.

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Guest Comment by **Mauro Pfister**,
Managing Director at **Capital Dynamics**
Market Outlook for 2026



MARKET OUTLOOK FOR 2026

- **sticky** – particularly services, healthcare, insurance and regulated sectors continue to push prices higher.
- This persistence has kept central banks cautious. The **Fed has maintained rates above 4% for more than 3 years** and real rates remain firmly positive across major economies.
- The gap between slow-moving disinflation and elevated policy settings reinforces a **“higher for longer”** backdrop, with any policy shift dependent on clearer progress in core measures.
- These dynamics point to a prolonged period of tight monetary conditions and a **rising risk of stagflation**- persistent inflation, weakening growth and constrained policy flexibility.
- Against this macro backdrop, **higher funding costs** and elevated price pressures are filtering directly into corporate margins, refinancing dynamics and overall market structure.
- **Operating costs remain elevated**, with energy, inputs, freight and wage growth all running above pre-pandemic norms.
- Firms with **meaningful pricing power** – software, specialty healthcare and select industrial niches – have maintained margins, while lower-margin consumer sectors face increasing pressure.
- higher rates, limiting investment capacity and squeezing profitability.

- **NAV lending has also expanded**, supporting fund-level liquidity, enabling distributions and helping manage refinancing needs.
- **Private credit's growing influence is structurally reshaping the capital ecosystem**, increasingly central to liquidity management, portfolio transitions and exit solutions.

Debt markets

- rush to secure funding ahead of a heavy refinancing cycle.
- Funding conditions have grown more uncertain amid slowing growth and intensifying trade tensions, yet **tighter spreads and earlier declines in borrowing costs helped fuel the recent surge in issuance**.
- fundamentals deteriorate.
- **compensated for the risks** they're assuming.
- approaching and liquidity tightening, highly levered companies may struggle to refinance, raising the prospect of elevated defaults and broader sectoral stress.
- Lender protections have weakened materially. The market has shifted from maintenance to incurrence covenants, and loss severity.
- underwriting and oversight.

Volatility ahead



- Growing fiscal strain, electoral uncertainty and political divisions in the US and Europe are testing policy stability. Historically, such stress **compresses liquidity, delays exits and raises capital costs**.
- In the US, **political polarisation** and a divided Congress risk delayed budgets and stalled reforms, potentially undermining confidence in Treasuries.

- For secondary buyers, widening credit spreads, in the face of increased market volatility, would sharply raise refinancing costs for already highly leveraged PE-backed companies, forcing **equity injections or markdowns** while pressuring portfolio valuations.
- European nations face slowing growth and rising fragmentation, weighing on the euro and increasing cross-border risk premia.

side-ways movement in the EUR/USD rate since mid year, as this reality becomes ever more apparent.

- **Fiscal pressures compound the risks.** OECD data show debt-servicing costs across member countries at unsustainably high

and stagflation.

- As a result of these concerns, **LPs are de-risking**, moving away from illiquid, highly leveraged equity-focused strategies into more liquid assets, contributing to record secondary market volumes.

Conflicts in CVs Boil Over

- manager to pursue an arm's-length market exit through a sale to a third party.
- As we highlighted in this year's Second Edition of our published **Critique of GP-Led Deals**, it was only a matter of time before the supposed "value" in a CV is extracted from sellers who are forced out at a discount to real value.

burden cannot be placed on the shoulders of a few large LPs to protect all investors.

China: a rebound in interest



- **Interest in Chinese fund secondaries is rebounding**, with pricing improving from a low base as more buyers deploy into

- widely and domestic pharma now accounting for a third of innovative drug candidates under development and a growing share of global licensing deals.
- Geopolitically, US-China **tensions have eased**, with reduced tariffs and relaxed export controls on semiconductors, while Chinese rare earth export restrictions were quickly suspended.
- As a result of this apparent détente, **opportunistic investors are increasingly allocating to China**, despite the country's
- The Chinese market of the 2010s has evolved into a more sophisticated, innovation-driven ecosystem. While macroeconomic headwinds certainly remain, growing tech and industrial leadership, coupled with re-engaged Western capital, underscores that **China's global relevance in private equity and capital markets is somewhat unavoidable**.

Innovative secondaries

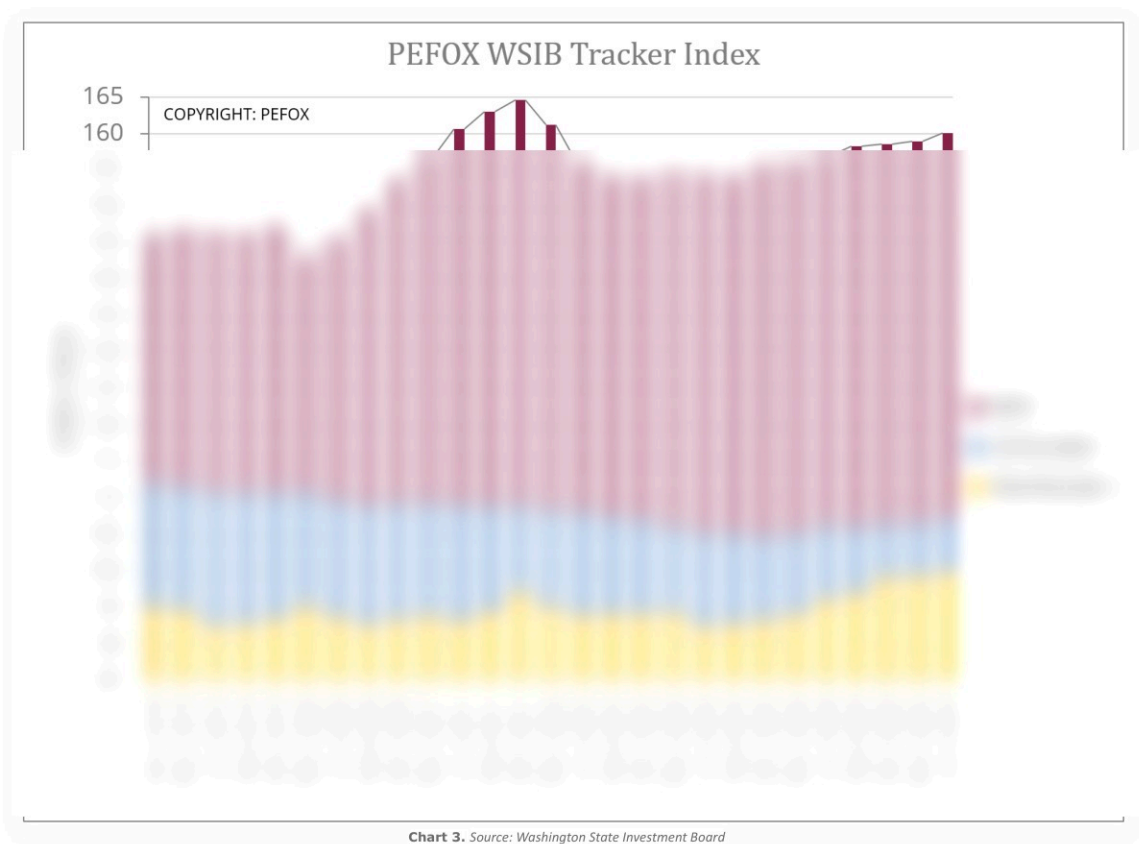
- Private markets are moving beyond the simple hold-or-sell dynamic, with LPs increasingly seeking ways to **manage portfolio risk** while maintaining exposure to high-conviction managers.
- Innovative structures such as **NAV-based financing and derivative-based hedging** now allow LPs to unlock liquidity, hedge transactions.
- Liquidity is abundant right now and, most often, not the primary driver for secondaries, as **investors increasingly use structured instruments to manage exposure at the asset class level**.
- These developments are making private markets more flexible, closer in behaviour to public markets, enabling LPs to adjust exposures and **optimise portfolio outcomes without disrupting GP relationships**.
- Across the market and in deals we have advised, the growing use of structured solutions illustrates how **innovation in secondaries, hedging, and portfolio management is reshaping the private markets landscape**.

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**.
- The PEFOX Library is the industry's **largest database of secondaries pricing information** and our research is used by hundreds of LPs globally including sovereign wealth funds, pension funds, insurance companies, family offices and endowments.
- There is no subscription fee and **no cost**. However, we provide access strictly on a selective, **invitation-only basis**.
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- multiple, diverse private market strategies.

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- [REDACTED]
- 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-world data from a significant institutional investor.**



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- **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.

CURRENT SECONDARIES

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MORE FROM PEFOX

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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