October 2024

Secondary Market Overview

A market review by Apeksha Kulkarni

PEARSE
PARTNERS

2024
Secondary Market Overview

We are delighted to present the Pearse Partners 2024 Secondary Market Overview.

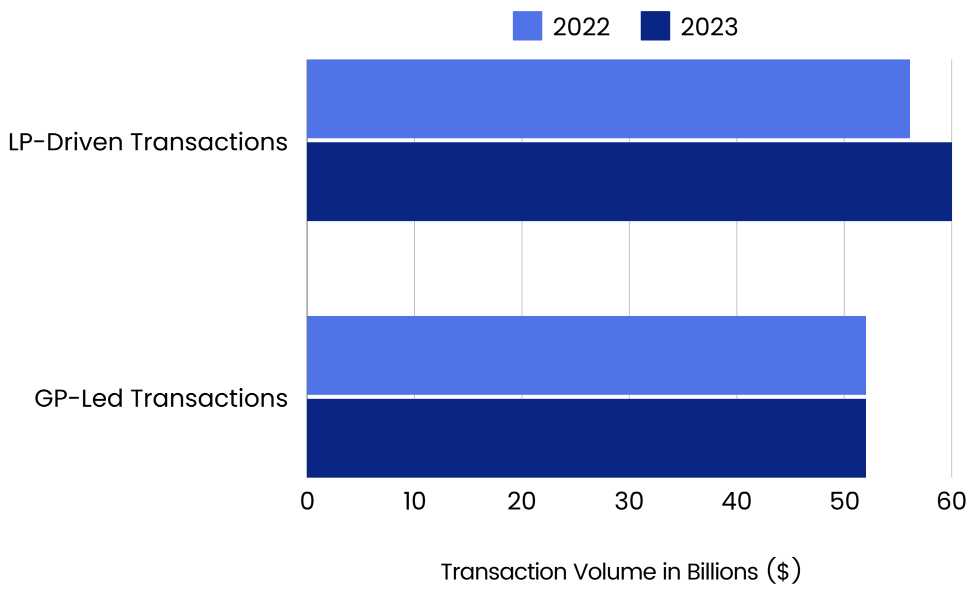
This research aims to offer valuable insights into the dynamics, trends, and influencing factors of the asset class.

Our analysis at Pearse Partners is founded on comprehensive market research, conversations with key industry leaders, and observations of past trends.

Introduction

The global secondaries market experienced notable growth in 2023, with transaction volume rising by 4% to $112 billion, driven predominantly by increased Limited Partner (LP) activity. LP-driven transactions grew by 7% to $60 billion, reflecting heightened investor demand for liquidity and improved market pricing.

General Partner (GP)-led transactions remained stable at $52 billion, but gained momentum in the second half of the year. This whitepaper analyses key market trends and areas of growth, alongside recruitment insights from Pearse Partners, focusing on critical talent needs, challenges, and strategic advice for firms operating in the secondary market.



Market Overview & Growth in 2023

Transaction Volume Growth

The global secondaries market expanded by 4% in 2023, reaching $112 billion. This growth was fueled primarily by increased LP demand for liquidity, with LP-driven transactions growing by 7% to $60 billion. While GP-led transactions remained flat at $52 billion, the second half of the year saw increased activity, driven by record fundraising and new buy-side entrants.

Key Market Drivers:

Improved Pricing: LP portfolio pricing rose to 85% of Net Asset Value (NAV), supported by strong public markets and stabilising interest rates.

LP Portfolio Pricing Rose
85% NAV

Capital Availability: With $255 billion in available capital, buyers are looking to deploy capital efficiently in 2024.

$255 billion
Available Capital

Sector Performance

Buyouts:
- Dominated the market, accounting for 72% of total transaction volume.
- Pricing increased to 91% of Net Asset Value (NAV).

Venture Capital:
- Lagged behind, with pricing at 68% of NAV.

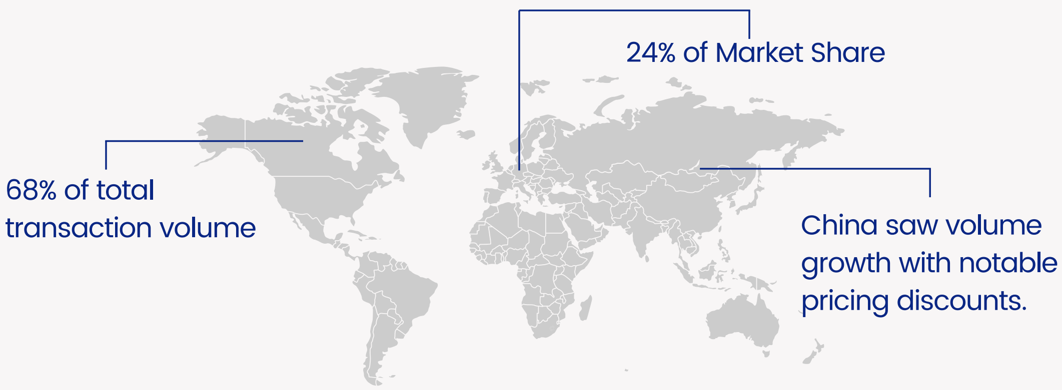
Real Estate:
- Also lagging, with pricing at 71% of NAV.

Geographic Trends

North America:
- Led the market with 68% of total transaction volume.

Europe:
- Saw growth, increasing to 24% of market share.

Asia:
- Notably, China showed volume increases.
- Experienced significant pricing discounts despite growth.



Key Market Themes in 2023

Recovery in H2 2023

The second half of 2023 witnessed a 60% increase in transaction volume compared to H1, as market conditions stabilised and LPs sought liquidity. Multi-asset continuation funds accounted for 59% of GP-led transactions, reflecting a shift in market structure.

Capital Overhang and Future Growth

The $255 billion in available dry powder highlights substantial potential for large-scale transactions in 2024. This capital is expected to support multi-billion-dollar deals, pushing total market volume beyond $130 billion in the coming year.

What are Secondaries experts recommending?

Leveraging Pricing Recovery

With buyout pricing reaching 91% of NAV, LPs have an opportunity to liquidate interests while prices are favorable. For buyers, underperforming sectors such as venture capital and real estate offer potential upside as the market stabilizes.

LPs should take advantage of favorable pricing, while buyers can seek undervalued assets in venture capital and real estate. Asset managers must strategically time sales to maximise returns.

Focus on Multi-Asset Continuation Funds

Multi-asset continuation funds, which made up 59% of GP-led transactions, offer comprehensive liquidity solutions in a subdued M&A and IPO environment. Sponsors raising new funds should provide LPs with multi-asset liquidity options to secure commitments.

Sponsors should explore multi-asset continuation funds as a flexible liquidity solution that appeals to both LPs and GPs, especially in slower exit environments.

Global Diversification Opportunities

While North America remains dominant, Europe and Asia are growing in importance. Investors should diversify geographically to balance portfolios and explore less saturated sectors.

Investors should expand into European and Asian markets, with attention to regional market dynamics and regulatory frameworks critical for successful entry.

Recruitment Trends in the Secondaries Market by Pearse Partners

Increased Demand for Specialised Talent

The growing secondaries market requires professionals skilled in deal structuring, financial analysis, and valuation models. As multi-asset continuation funds increase in prominence, expertise in portfolio management and liquidity solutions is increasingly valued.

Compliance and ESG Expertise

ESG considerations are becoming central to investment strategies, particularly in Europe. Firms must ensure they have professionals with ESG compliance expertise to meet regulatory demands and investor expectations.

Global Recruitment and Geographic Diversification

With increased activity in Europe and Asia, firms need professionals with cross-border deal experience and an understanding of regional regulatory frameworks.
Pearse Partners recommends that firms should expand recruitment efforts geographically, focusing on talent with expertise in regional regulations and market trends, particularly in Asia and Europe.

Retention Strategies and Workforce Development

To retain top talent, firms must invest in workforce development, especially in areas such as GP-led transactions and multi-asset continuation funds. Clear career progression paths and continuous learning opportunities are essential.
Pearse Partners advises firms to invest in internal training programs and offer competitive compensation and career advancement opportunities to retain key talent.

Conclusion

The global secondaries market is poised for continued growth, offering significant opportunities for investors.

Success in this dynamic space requires a deep understanding of market trends and a strategic approach to talent acquisition. Pearse Partners recommends firms focus on hiring specialised professionals in areas such as GP-led & LP-led transactions, ESG compliance, while also investing in internal workforce development and geographic diversification in recruitment efforts.

Competitive compensation and flexible work options will be crucial in attracting and retaining top talent in this evolving market.

Why Partner with our Secondaries Recruitment Team?

Our team possesses an in-depth understanding of Secondaries hiring and boasts a proven track record in networking with top talent and building successful global client partnerships.

Our search process is both structured and methodical. We conduct thorough market mapping and leverage our network's impressive talent, ensuring every client introduction meets exceptional standards.

Because of our delivery of high quality future leaders, we are the chosen recruitment partner across Private Equity and Secondaries search.

Ready to hire? Contact our team directly:

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