November 2024

A guide to transitioning into Secondaries Advisory for Analysts and Associates

PEARSE
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Transitioning into Secondaries Advisory

We are excited to introduce our comprehensive guide on transitioning into Secondaries Advisory, tailored for both Analysts and Associates. This report offers valuable insights into key industry trends and the challenges you may encounter.

Additionally, it includes example interview questions and essential topics to help you prepare effectively for your interviews.

Our team is always ready to provide expert advice on the market and inform you about upcoming opportunities. Don't hesitate to reach out if we can assist you further.

Introduction to Secondaries Advisory

Secondaries advisory is experiencing record growth, with volumes projected to exceed $140 billion in 2024. It's a fast-paced, complex area within private equity and private capital advisory that involves advising both limited partners (LPs) and general partners (GPs) on liquidity solutions, including continuation funds, structured sales, and portfolio rebalancing. For analysts and associates coming from M&A or corporate finance roles, it's essential to understand the dynamics of the secondary market, as well as the skills and mindset shifts needed to succeed in this role.

Key Trends in the Secondaries Market

2024 Insights

Market Growth and Record-Breaking Deals
The secondary market is on fire, with deal volume hitting $68–$71 billion in the first half of 2024 alone! Demand for liquidity is high as LPs look for ways to cash out, and continuation funds are changing up the traditional exit game. What's fuelling this growth? Record fundraising, new investors entering the market, strong demand for private assets, and a solid performance in public markets.

Big Shift Toward Single-Asset Continuation Funds
Single-asset continuation funds are taking centre stage, especially in GP-led deals. This setup lets sponsors keep their prized assets for longer. New buyers love these deals because they're all about quality—think high-value, "trophy" assets—and they're even willing to pay a premium for single-asset deals over the usual multi-asset funds.

More Transaction Types Than Ever
LPs are getting creative with liquidity solutions, using structures like preferred equity, deferred pricing, and SPV (special purpose vehicle) transfers. With more family offices, high-net-worth individuals and investment companies jumping in, there's more capital available, which is boosting competition and impacting pricing.

Pricing Trends You Should Know
- Buyout funds are pricing close to 90–94% of NAV, with lots of interest in newer vintages.
- Venture funds are pricing lower, as these investments often face more exit challenges.
- Credit funds, especially those with floating-rate debt, have seen a strong rise in pricing thanks to attractive yield expectations.

Key Skills and Challenges for Analysts and Associates Transitioning to Secondaries

Analytical Skills and Market Understanding

Challenge:
Unlike M&A, secondaries advisory demands a comprehensive understanding of fund-level operations, exit strategies, and complex fund structures.

Skill Development:
Analysts must develop skills in NAV analysis, fund performance evaluation, and forecasting future cash flows across diverse asset types (buyout, venture, real estate).

Key Areas to Study:
- GP-led vs. LP-led deal structures
- Pricing metrics and NAV calculations
- LP portfolio rebalancing strategies

Client Interaction and Advisory Mindset

Challenge:
The role in secondaries advisory is relationship driven. While M&A roles often focus on transactions, secondaries require a long-term advisory approach to build trust with LPs and GPs.

Skill Development:
Building relationship management skills, including active listening and tailored communication, is crucial. You'll need to advise on optimal timing, transaction structuring, and tailored solutions for liquidity needs.

Key Client Needs:
- Portfolio optimisation and liquidity management
- Tailored solutions like continuation funds, SPV transfers, or deferred payments
- Portfolio reallocation and overexposure concerns

Strategic Thinking and Flexibility

Challenge:
The secondaries market is heavily influenced by broader market dynamics, interest rates, and public market performance. This means analysts need to be comfortable with market volatility and adjusting strategies.

Skill Development:
Developing strategic insight into secondary market trends, such as the rise of '40 Act funds or capital formation, is essential to spotting opportunities and challenges.

Key Insights:
- Predicting demand for specific asset types
- Understanding the impact of interest rates on pricing
- Navigating liquidity challenges in slow M&A and IPO markets

Interview Preparation: Key Questions for Secondaries Advisory Roles

Technical Questions:

1. Describe the difference between GP-led and LP-led secondary transactions.
2. How would you value an LP interest in a buyout fund compared to a venture fund?
3. Explain the concept of a continuation fund and why a GP might choose this route.
4. How do interest rates impact secondary market pricing?
5. What methods would you use to evaluate the risk associated with older tail-end funds vs. newer vintages?

Market Knowledge Questions

1. What are some trends driving the growth of the secondary market in 2024?
2. Why might LPs be increasingly interested in selling interests in newer vintages?
3. Explain the shift towards single-asset continuation funds and the factors that make them appealing.

Behavioural and Soft Skills Questions

1. Describe a time when you had to adapt your approach to meet the needs of a client or stakeholder.
2. How would you handle a situation where an LP client wants to sell, but pricing isn't favourable?
3. Give an example of how you've managed client relationships in previous roles.
4. What attracts you to secondaries advisory over traditional M&A or corporate finance?

More General Questions and one's specific to client (Company X)

1. What is PE? - describe it to me if I've never heard it before.
2. Different funds we've worked with.
3. Which markets would you or would you not invest in?
4. How are Company X differentiated in the market ?
5. Who do Company X compete with?
6. How would interest rates/inflation or other recent economic/political change impact the fundraising market? And will it help Company X?
7. Is specialisation important in the market?

Additional Tips for Success in Secondaries Advisory

Stay Informed on Trends: The secondaries market is constantly evolving, so being up-to-date on industry reports, market predictions, and evolving transaction structures will be invaluable.

Develop Excel and PowerPoint Mastery: Analysts frequently manage complex financial models, NAV calculations, and investor presentations—technical proficiency is critical.

Embrace Flexibility: Secondaries advisory often requires working with various asset types, transaction structures, and client needs. Flexibility and a willingness to learn are key.

Network Within the Industry: Building relationships with LPs, GPs, and co-investors can provide insights into the market and help with future deal flow.

Typical career path in Secondaries

3 Years	3 Years	1 Year	3-5 Years	5 Years +	+
Analyst	**Associate**	**Senior Associate**	**Vice President**	**SVP / Director / Principal**	**Managing Director / Partner**

If you are currently exploring new opportunities in the Secondaries market, our team is well-versed and highly knowledgeable about industry trends. We engage with clients daily, giving us keen insight into exclusive roles and upcoming opportunities. Reach out to us for a confidential discussion about job prospects or if you seek advice on the 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:

Jonathan Press

Managing Consultant

020 3307 4804 | 07812 013 591

jonathanpress@pearsepartners.com

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