

CASE STUDY: PRIVATE MARKET SECONDARIES

JANUARY 2026



NOTE: THIS CASE STUDY FORMS PART OF A REPORT TITLED **SECONDARY MARKET VEHICLES IN EMDES: LESSONS AND IMPLICATIONS FOR DEVELOPMENT ACTORS**



1 Overview

Several factors led to the development of the first private secondaries market vehicles. In 1979, the U.S. Department of Labor clarified under the Employee Retirement Income Security Act that pension plans could invest in private equity funds, which unlocked a major new pool of capital. Commitments continued to grow, driven by the 1981 cut in capital gains tax rates (from 28% to 20%) alongside rising investment in information technology and the emergence of buyouts as a distinct strategy separate from venture capital (WCAP Group, 2013). By the mid-1980s, primary market volumes had grown enough that the first dedicated secondary funds, such as the Venture Capital Fund of America (VCFA)¹, were launched to address investor liquidity needs (Coller Capital, n.d.). The first European dedicated secondary fund, ARCIS, was founded in 1993 in France, led by Arnaud Isnard who also co-founded VCFA (Cole, 2015).

In the early 1990s, Basel I and National Association of Insurance Commissioners (NAIC) capital rules in the U.S. prompted banks and insurers to reduce non-core private equity holdings. Private equity had become mainstream for large institutional investors (with allocations around 5% for public pension funds and close to 15% for endowments and foundations) (WCAP Group, 2013). The late-1990s venture boom also brought new entrants and rising commitments. As commitments increased, secondary transactions increased, and new vehicles continued to form.²

The collapse in technology stocks in 2000 caused public equity portfolios to fall while private equity valuations adjusted more slowly. This imbalance

increased the relative weight of private equity in institutional portfolios³ and led some investors (particularly pension funds and endowments) to seek liquidity through secondary sales. Dedicated secondary vehicles expanded in this environment.⁴ By 2005, global secondary transaction volumes reached about USD 8 billion, as investors became more comfortable and increasingly used the market to manage their private equity portfolios. By 2007, the transaction volume of secondaries had exceeded USD 16 billion for the first time (Coller Capital, 2024).

During the Global Financial Crisis (GFC), secondary transaction volumes declined slightly (from USD 16.1 billion in 2007 to USD 15 billion in 2008), as portfolios again appeared overweight in private equity. The period also led to the development of the first dedicated preferred equity fund, 17Capital Fund I, which was launched in 2008. It provided flexible financing based on a portfolio's NAV and in return, maintained seniority over the cash flows from these portfolios until the financing, along with a contractual return, was fully repaid.⁵ Following the collapse of Lehman Brothers in the U.S., pricing expectations were mismatched (average bids for buyout fund stakes fell to around 60-69% of NAV in the first half of the year, compared with pre-crisis levels above 90%). With few sellers willing to transact at such discounts, volumes stayed muted until the second half of the year, when bid-ask spreads narrowed and transactions began to recover.⁶ The ecosystem also professionalised: specialist brokers, legal advisors, and fund administrators emerged to facilitate smoother transactions.

¹ VCFA launched the fund in 1984 and had USD 6 million in investor commitments; Landmark Partners, founded by Stan Alfeld, followed

² Coller International Partners (CIP) II launched the first global secondaries fund and Lexington Partners also closed a USD 1.1 billion fund in 1998; In the same year, Coller Capital's acquisition of a USD 265 million portfolio from shell's US pension Trust becomes the largest secondaries investment transaction of its time

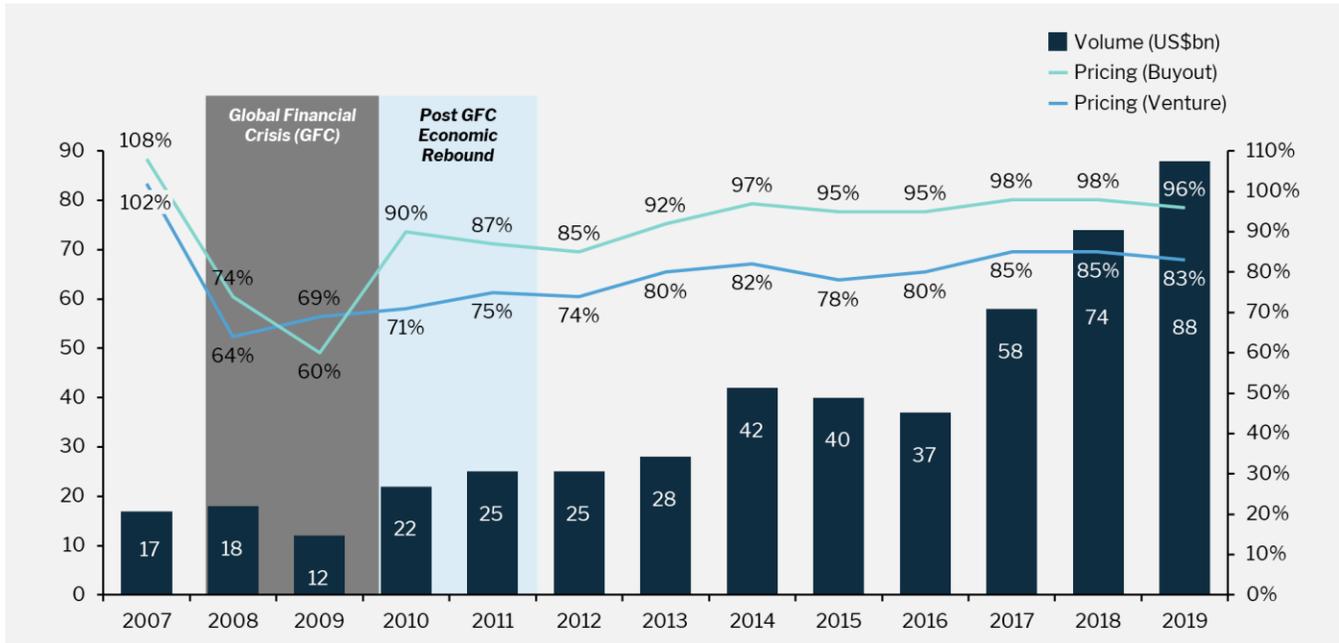
³ The increased relative weight of private equity in institutional portfolios is a dynamic often referred to as the "denominator effect"

⁴ Coller International Partners III closed in 2000 at approximately USD 712 million, Partners IV in 2002 at USD 2.6 billion, and Partners V in 2007 at USD 4.5 billion, marking a step change in fund size and investor commitment

⁵ 17Capital later launched Fund 2 in 2010

⁶ Coller Capital completed the first secondaries acquisition of structured credit investments with Pearl Diver Capital

Figure 1. Secondaries Market Volume and Pricing Patterns (GCM Grosvenor, 2020)



In the early 2010s, activity was largely LP-led⁷, as investors used sales to gain liquidity, rebalance portfolios, and/or meet regulatory requirements. At the same time, managers began to test general partner (GP)-led processes⁸ to maintain trophy assets when funds reached the end of their terms. These transactions gave LPs a choice between selling and rolling forward and allowed GPs to extend ownership and/or raise follow-on capital. An early example was the 2014 restructuring of Diamond Castle IV, where ICG recapitalised the fund to create both liquidity and reinvestment options. Building on this, ICG’s Strategic Equity unit launched a dedicated GP-led fund in 2017, when annual market volume for such deals was about USD 14 billion (Capital Dynamics, 2022).

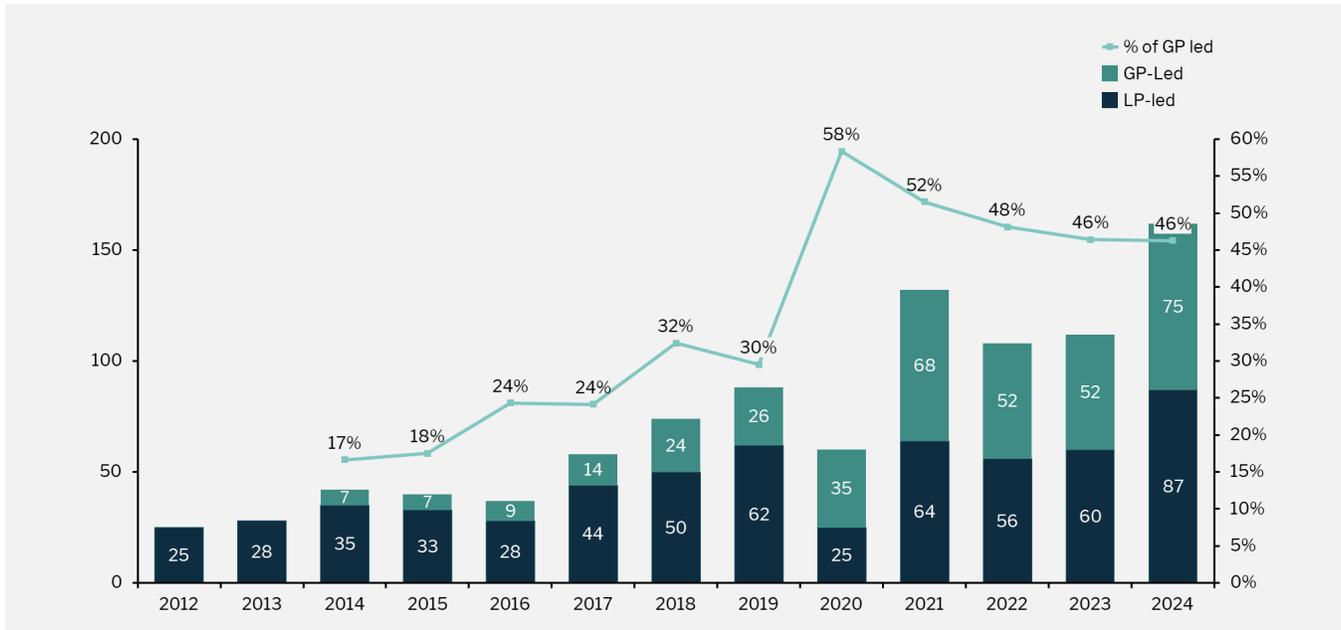
By the early 2020s, GP-led processes had become a regular feature alongside LP portfolio sales. Their

use grew as exit routes through IPOs and M&A slowed, and investors sought liquidity without forcing premature sales. By 2024, global secondary deal flow had reached USD 162 billion, with GP-led activity contributing c.46%. Rising deal volumes have resulted in buyers using more structured financing in secondary transactions, including NAV loans and deferred purchase price arrangements (Calve, 2025).

⁷ Transactions where LPs initiate transactions to sell fund interests to secondary buyers. Common structures include traditional secondaries sales and partial sales, structured sales, and securitised transactions such as collateralised fund obligations.

⁸ Transactions initiated by GPs to restructure or extend fund assets. Includes structures such as continuation funds (both single- and multi-asset), preferred equity solutions, strip sales of partial portfolios, and tender offers

Figure 2. Global Secondaries Transaction Volume: GP vs LP led (2012-2024) (Lazard, 2025)



Continuation funds made up the bulk of the GP-led market (at roughly 79% of GP-led activity), split between single-asset (48%) and multi-asset (31%) vehicles in the U.S. Investors favoured single-asset continuation funds around high-quality trophy assets, where strong cash flows supported higher valuations (nearly 87% of these deals executed at or above 90% of NAV) (Lazard, 2025). GP-led secondary activity in global growth markets⁹ is on pace for a record year of continuation funds in 2025, with USD 1.3 billion raised across eight deals in the first half of the year. However, market activity remains concentrated in developed markets – only 4% of GP-led transaction deal value was outside of North America and Europe between 2024 and mid-2025 (Global Private Capital Association, 2025).

Despite their growing use, continuation funds introduce governance and incentive challenges because the GP is conflicted between the legacy fund and the new fund. Legacy LPs are typically offered a choice to sell their exposure at the transaction price or to roll their interest into the new vehicle. To manage conflicts of interest, it is important that these transactions rely on third-

party valuations or competitive bidding processes to establish the sale price and on regulatory safeguards, including fairness opinions, enhanced disclosure requirements, and increased transparency. In the U.S., these regulations were adopted through the U.S. Securities and Exchange Commission (SEC) 2023 rules on GP-led secondaries, which introduced the requirements under the Investment Advisers Act (Ivashina, et al., 2025).

The global secondaries market continues to grow, with transaction value nearly doubling between 2019 and 2024 (Global Private Capital Association, 2025). However, the market remains significantly smaller than private equity primaries, with 2024 fundraising levels for primaries 5-6 times higher than secondaries (Prequin, 2025).

In EMDEs, early examples of secondary transactions and vehicles are also beginning to emerge. In Africa, British International Investment (BII) completed a landmark secondary sale to Blue Earth Capital (in February 2024), transferring interests in three funds. Sango Capital acquired

⁹ Includes Asia, Latin America, Central & Eastern Europe, and Africa, with most activity in Asia (80%+)

majority LP interests in Synergy Private Equity Fund II in July 2024, while MeTTa Capital launched South Africa's first dedicated secondaries vehicle in September 2024. In India, ChrysCapital closed a

USD 700 million continuation fund in April 2024 to maintain its stake in the National Stock Exchange of India.¹⁰

2 Regional analysis

2.1 FOCUS ON LATAM: SUPPORTIVE REGULATION AND GLOBAL INVESTOR ENTRY FUELLED GROWTH

Latin America's secondary market for private investments has evolved over the past two decades. In the early 2000s, transactions were infrequent because the PE industry was still nascent, and few funds had matured sufficiently for LPs to seek liquidity. Through the 2010s, growth in primary fundraising and deployment created the preconditions for a secondaries market to develop. In the mid-2010s, Brazil saw regulatory changes and a weaker economy prompt pension funds to seek divestment from their PE holdings, creating significant supply in the secondaries market. However, execution frequently stalled due to valuation gaps – local sellers typically anchored to book/NAV while foreign buyers applied discounts for emerging market risk. In 2017, reports suggested that as many as 90% of attempted Latin American secondaries processes failed due to pricing issues (Zhang, 2017). Today, secondaries transactions more often anchor price with lead investors and independent valuation opinions which help to bridge valuation gaps and reduce pricing frictions.

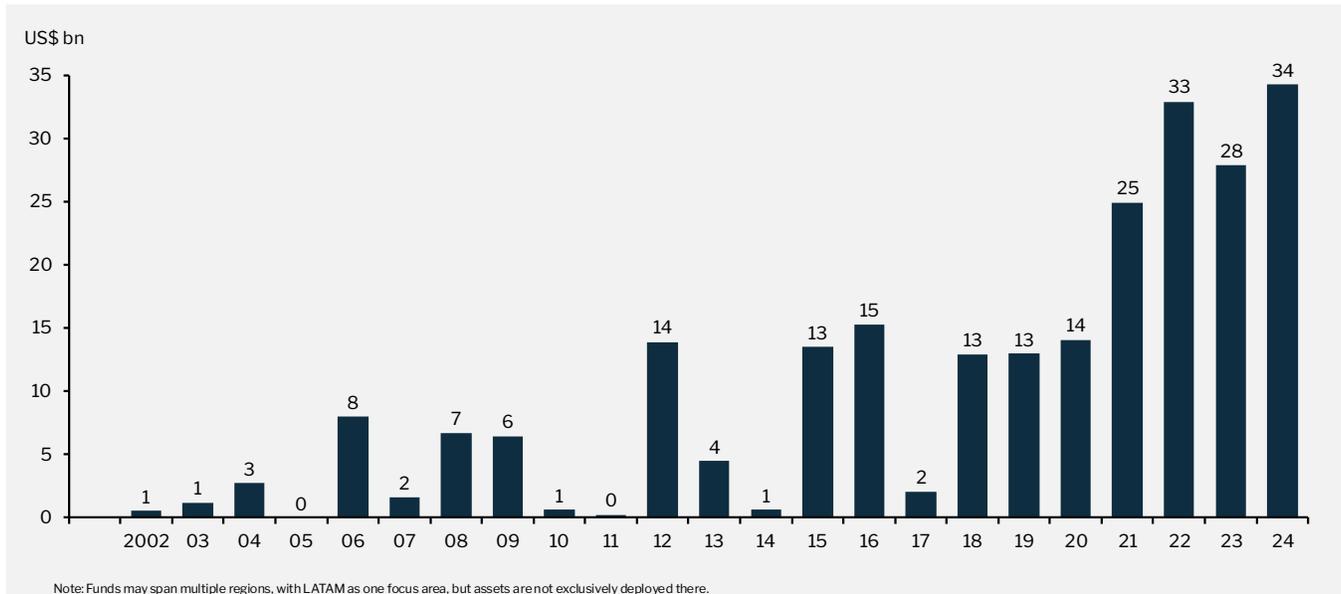
Latin America's private capital markets have continued to deepen, creating the conditions for a more consistent flow of secondaries transactions. As primary activity grew in 2021-2022, secondaries volumes increased and international specialists entered, complementing local GPs. Notably, Lexington Partners (one of the world's

largest managers of secondary funds) established regional offices in Santiago (2016) and São Paulo (2021) to source opportunities and support GP- and LP-led processes. Other global multi-strategy platforms with secondaries capability have also established a presence in the region, including StepStone (with offices in Santiago and São Paulo), HarbourVest (Bogotá), and Partners Group (São Paulo).

In parallel, local platforms have dedicated more capital to secondaries: Spectra Investments closed its sixth flagship fund at approximately USD 330 million with c.45% allocated to secondaries transactions (PE Forum, 2024); Patria Investments, one of the region's largest alternatives platforms, formalised a dedicated secondaries strategy following its acquisition of Aberdeen Group's Private Equity Solutions business and is raising funds for Patria Secondaries Opportunities Fund V (target c.USD 500 million).

¹⁰ The Indian Economic Times (2024) reported more continuation funds could launch within the following year

Figure 3. Funds Raised by Vehicles with Secondaries Strategies with LATAM as Focus Region (Private Equity International)



SPECTRA IN BRAZIL

Spectra Investments is a São Paulo-based alternatives manager focused on Latin America. The firm manages multi-strategy vehicles (primaries, co-investments, and secondaries) and describes itself as a leading provider of secondary liquidity in the region. As of 2025, Spectra disclosed c.USD 1.3 billion in capital under management and more than 700 underlying portfolio companies (Spectra Investments, n.d.).

Recent flagship funds frame how the platform evolved and the importance of secondaries. Fund V (2021) closed at USD 340 million with a multi-strategy mandate combining fund-of-funds, secondaries, and direct co-investments. It was funded by a predominantly local capital base: at close, reported LP composition was 75% Brazilian families, 15% pension funds, and 10% international investors. Secondaries were not reported as the dominant strategy of this fund. By contrast, Fund VI (2024) was a similar size (USD 330 million) and increased the dedicated secondary sleeve to 45% of commitments, explicitly citing constrained domestic liquidity and higher capital costs as the rationale for scaling its secondary allocation.

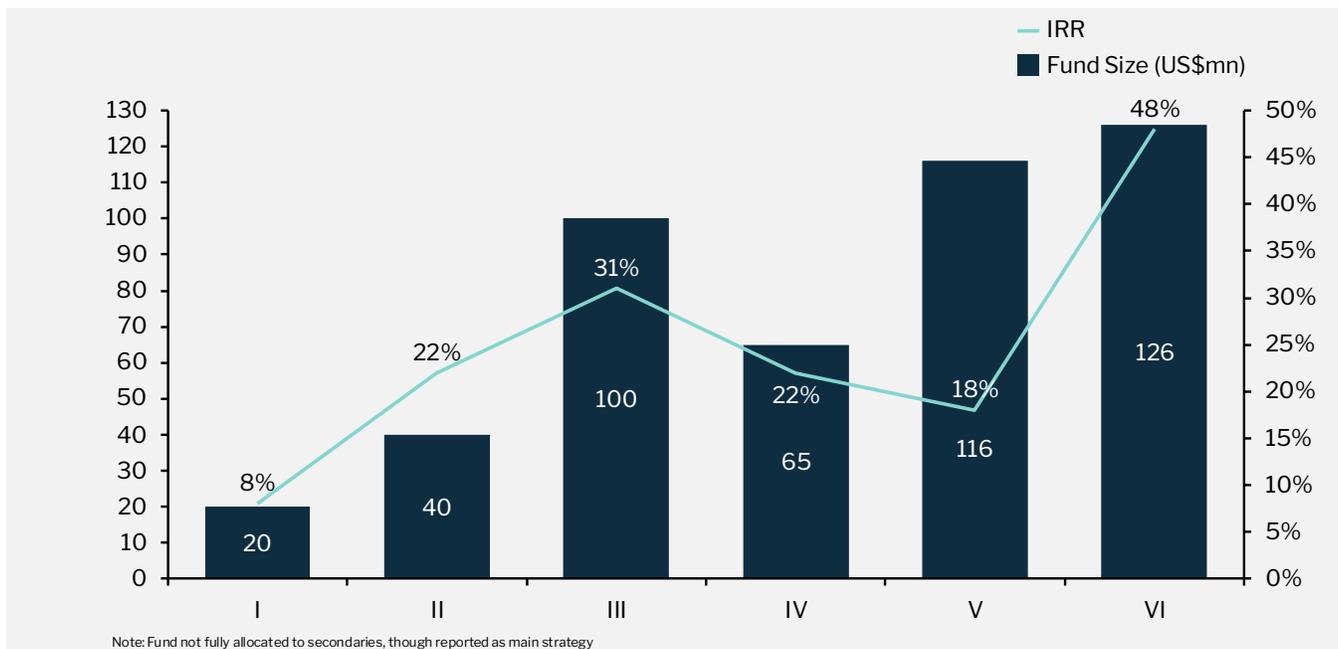
Policy and regulatory frameworks have been central to the functioning and evolution of private equity markets in Brazil. In these structures, investors participate through *quotas*, which represent their proportional ownership stake and define their rights and obligations. The introduction of CVM Resolution 175 (2023) modernised the Brazilian fund industry by consolidating fragmented rules into a unified framework that provides greater consistency across fund types, including FIPs (*Fundo de Investimento em Participações*), the most common PE structure in Brazil (Comissao de Valores Mobiliarios, 2023). In parallel, ANBIMA (Brazilian Financial and Capital Markets Association) has reinforced these regulatory changes through self-regulation and market guidance, supporting transparency, standardisation, and the transferability of quotas in line with international practices (ANBIMA, n.d.).

Geographically, Spectra’s flagship funds are Latin America-focused with a Brazil core. In secondaries, the firm has acted as a recurring counterparty to pension-led divestments of FIPs across infrastructure, energy, logistics/ports, real assets, and multi-sector PE. Illustrative transactions

include Petros’ (the pension fund of Petrobras employees) sales of FIP positions to Spectra in 2019 (c.USD 34 million across seven investment funds, reported as the largest Brazilian pension-led secondary transaction to date) and a 2021 follow on (USD 16 million); Previ (the pension fund of Banco do Brasil employees) sold participations in 7 investment funds to Spectra in 2022 for USD 30

million, linking the sale to portfolio maturity and a need to rebalance as well as liquidity generation. These packages reference funds such as InfraBrasil, Portos e Ativos Logísticos, Brasil Petróleo, Brasil Agro, and Brasil Sustentabilidade, highlighting the real-economy tilt of the underlying exposures.

Figure 4. Spectra Latin America Private Equity fund size and IRR (In USD million and %) (Private Equity International)



2.2 FOCUS ON INDIA: MACRO CONFIDENCE, GLOBAL INVESTOR PARTICIPATION, AND SPECIALISED INTERMEDIARIES STRENGTHENED THE SECONDARIES MARKET

Over the last two decades, India’s PE secondaries market has moved from sporadic LP stake sales to a recognised liquidity tool. A significant development occurred in 2018 when the UK’s CDC Group (now BII) partnered with Collier Capital (among the world’s largest dedicated secondaries investors) to deploy up to USD 300 million into

Indian PE secondaries. This programme, designed as a catalytic, one-off vehicle, was one of the first major efforts to release stuck capital and legitimise the strategy in the local ecosystem. In May 2018, the partnership closed its first transaction, a USD 98 million GP-led process. As of 2021, the fund was in its divestment phase and market players indicated that it had shown that a commercially viable secondaries programme was feasible in India (Burroughs, 2021). Although a follow-on fund was not established, Collier Capital now pursues opportunities in the region through its global funds.

Today the market is materially deeper and more sophisticated, with both LP- and GP-led

transactions closing each year. Global secondaries investors (Coller Capital, HarbourVest Partners, Pantheon, LGT Capital Partners, TPG NewQuest, Hamilton Lane, Lexington Partners, Ardian, TR Capital and others) are active across India-focused portfolios. This increased participation has normalised secondaries as a regular mechanism for liquidity for Indian PE managers.

Several forces are driving the sector's development: maturing, better governed portfolios that transfer more cleanly between sponsors; a clear shift toward using secondaries as proactive portfolio-management tools rather than last-resort exits; strong public markets and macro reforms that improve exit visibility; and rising global investor interest in India, which has widened the buyer universe and sharpened pricing discipline.

CHRYSCAPITAL CONTINUATION FUND IN INDIA

In April 2024, India-based ChrysCapital closed a USD 700 million single-asset, continuation fund to transfer its stake in the National Stock Exchange of India (NSE), which it acquired in 2016 in its USD 510 million VI Fund. The process was anchored by HarbourVest (which had also been an investor in Fund VI), alongside new entrants Pantheon and LGT, with UBS advising, and was reportedly 2x oversubscribed. Fund VI investors were given the choice to sell their interest or roll it into the new vehicle. As one of India's most systemically important financial institutions, NSE had shown consistent growth in trading activity and profitability.¹¹ The fund allowed ChrysCapital to retain exposure to its trophy asset, provided a liquidity option for existing LPs, and gave new investors access to NSE, which is rarely available in private transactions.

Global investor reallocations also supported demand: many institutions had been reducing

exposure to China, and India has attracted a rising share of allocations in Asia.¹² This coincided with strong domestic exit activity in India which climbed 12% in 2023 to a total exit value of USD 25 billion (Lamy, et al., 2024).¹³ Higher exit volumes likely gave investors greater confidence in India's PE market. The ChrysCapital continuation fund was the largest GP-led transaction completed in India, creating a precedent for other managers in the region (Le, 2024).¹⁴

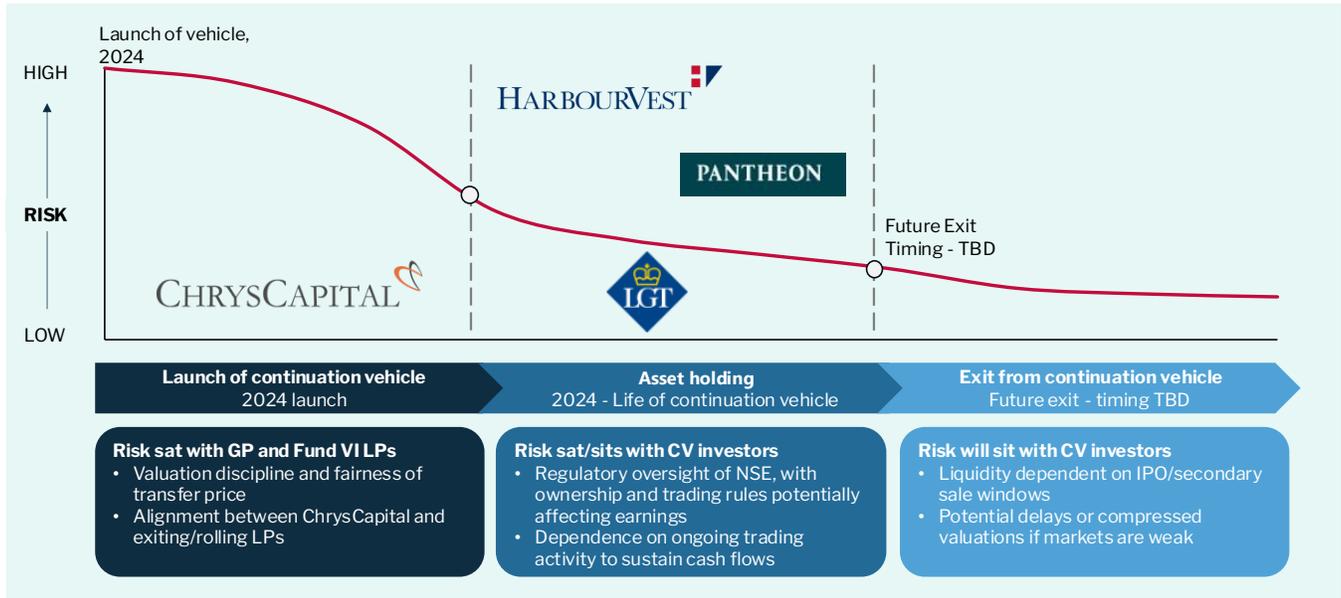
¹¹ In Q1 2024, NSE's equity futures averaged c.INR2.09 trillion (c.USD 25 billion) in daily turnover, double the prior year. In May 2024, derivatives notional turnover reached c.INR9,504 trillion (c.USD 115 trillion)

¹² In 2024, the Indian stock market surpassed Hong Kong to become the fourth largest in the world by total value of shares

¹³ India was one of only two Asia-Pacific markets to record meaningful exit growth that year

¹⁴ Asia-Pacific overall accounted for just 4% of global secondaries volume in 2023

Figure 5. ChrysCapital Continuation Fund's Risk Profile, Illustrative



STRATFORD HOUSE IN INDIA

Stratford House, founded in 2021, is a PE secondaries specialist focused on tail-end funds (older funds nearing the end of their lifecycle with only a few remaining assets, typically operational but slow to exit) in South Asia. It was initially set up as an advisory firm, primarily providing services to LPs.

Its advisory solutions include critical services that improve the LP/GP relationship and scope for exit, including advising tail-end funds on divesting underlying assets from their portfolios, often working with skeleton GP teams to support focused exit processes, accepting discounts where necessary, and providing a bridge between GPs and LPs, including through strengthening GP governance. Their on-the-ground presence and deep market knowledge has enabled their success with this strategy. However, these exits remain challenging because the buyer base is limited.

Given this limited buyer base, and particularly secondaries buyers willing to participate in tail-end funds, Stratford House soon began executing deal-by-deal secondaries trades by acquiring LP stakes

in tail-end funds. In these transactions, the assets remain in the existing structures, but Stratford House works closely with the existing GPs, providing knowledge, networks, and resources, to develop paths to exits. An Indian associate of Stratford House is at early stages of raising an India-dedicated secondaries fund focused primarily on buying LP fund shares and investing in multi-asset continuation funds. There has been interest from local private and institutional investors in this lower risk strategy. These investors also have a deeper understanding of the market and are not as impacted by FX fluctuations as international investors. The fund aims to help expand the buyer base for tail-end secondaries, is complimentary to the advisory work (a critical part of Stratford House's credibility), and fulfils a market need.

2.3 FOCUS ON AFRICA: EARLY MARKET MOVEMENT HAS FACED STRUCTURAL AND EXECUTION CONSTRAINTS

The PE secondaries market in Africa is very nascent; however, a few notable deals in 2024 indicate some movement. While not solely Africa-focused, BII completed a landmark secondary sale to Blue Earth Capital in February 2024, transferring interests in three funds (Adenia IV, Novastar Africa Fund II, and Aavishkaar Goodwill India Microfinance II) – two with African exposure. Sango Capital, which has been active in secondary transactions since 2012, acquired majority LP interests in Synergy Private Equity Fund II in July 2024. In September 2024, MeTTa Capital launched South Africa’s first dedicated secondaries vehicle. The vehicle’s initial transaction was GP-led, involving a detailed valuation and acquisition of a position in Kalon Venture Partners Fund I. The strategy is now primarily LP-led, focused on acquiring high-quality, established positions from LPs seeking liquidity, rather than distressed or complex tail-end funds.

Structural constraints in primary markets are particularly evident in Africa: exit options are limited (due to a small pool of strategic buyers and funds with a buyout mandate as well as weak capital markets), perceived risk is high, transparency is limited, and data is scarce. Additionally, as part of a market building strategy, DFIs historically backed many first-time managers, which expanded the number of funds but increased exposure to teams early in their development with limited operational capacity.¹⁵ This contributed to a fragmented landscape of small funds with limited scale. Some of these vehicles have become zombie funds which typically hold few valuable assets and so are unlikely to generate carry and provide no clear path to return LP capital. In other cases, funds are at their tail end but remain operational and still

hold assets with potential but lack the liquidity pathways needed to exit them.

In addition, insights from market participants highlight several frictions that limit secondaries development across Africa.¹⁶ Domestic pensions and insurers are marginal participants due to perceived risk of alternative investments, while international investors concentrate on a narrow set of larger and higher-performing LP stakes. Smaller or more complex transactions often lack a natural buyer base, leaving liquidity gaps across both private and public markets.

Limited execution capacity makes transactions slow, costly, and dependent on a few intermediaries with limited scope for structuring innovation. There is also often misalignment between GP and LP incentives in tail-end funds, particularly where GPs cannot raise follow on funds (e.g. zombie funds) or choose not to. Fund managers often have limited incentive to initiate exits since continuing to hold assets allows them to keep earning fees and avoid valuation write downs. The absence of credible market pricing further complicates transactions, as buyers demand discounts while sellers reference GP-reported NAVs that often sit above achievable prices. However, even if valuations were accurate, pricing tensions would remain as sellers must forgo some potential future upside so that buyers can earn attractive returns; however, the seller also achieves immediate liquidity which might outweigh the potential loss in future upside. Additionally, older fund documentation rarely includes clauses that facilitate the transfer or restructuring of fund stakes, making secondary deals legally complex and slow to execute.

DFIs also face their own constraints that reduce their ability to create these markets. Their mandates emphasise primary capital deployment and impact frameworks include a use of proceeds lens, which often excludes transactions that buy out existing investors rather than deploy capital

¹⁵ BII’s forward position is that the African PE market would benefit from consolidation, with growth focused on new funds led by established managers, while retaining scope to back first-time teams where the impact case is strong

¹⁶ While these issues largely impact Africa, several also mirror broader challenges across other emerging markets

into new assets. This does not prevent DFIs from selling into secondary vehicles, but it can limit their ability to help establish or capitalise those vehicles, even when doing so would improve liquidity and price discovery for future primary investments. These constraints ease if market creation is recognised in internal systems as a legitimate development outcome on its own.

An additional challenge for DFIs in Africa is the limited and overlapping LP base across funds, which may result in the same LPs on the buy- and sell-side of transactions. This potential conflict of interest can be mitigated if strong guardrails are put in place, similar to those outlined for continuation funds.

3 Impact on primary market functioning and sustainable development

Private market secondaries act as a liquidity outlet for an asset class traditionally defined by long lockups. By offering the ability to exit early from commitments (that often last more than a decade), secondary strategies provide liquidity to private market LPs and create potential pathways for capital recycling. This is especially relevant in emerging markets, where exit options are even more constrained. In Africa, for example, private equity fund lives frequently extend beyond their contractual terms. Shallow and illiquid public markets limit opportunities for listings, while the relatively narrow investor base reduces the scope for secondary sales. These constraints mean that capital is often locked up well past its intended horizon. The lack of credible exit routes also discourages new primary investors from entering the market.

Secondary funds can be especially attractive to LPs relative to new primary buyout/VC commitments, because they tend to deliver steadier, earlier cash returns with lower loss rates on a risk-adjusted basis. The appeal rests on structure: (i) investors avoid blind-pool risk by assessing portfolios of known companies with observable track records and clearer future potential; (ii) faster liquidity as secondaries buy mid-life positions and skip the 3 to 5 year deployment and value-creation phase, so distributions can start immediately as underlying assets are already being prepared for sale, allowing portfolios to self-liquidate in c.6 years versus c.10 for primaries; (iii) immediate diversification across companies, sectors, managers, and vintages in a

single ticket; and (iv) lower fee drag, with many secondary funds charging around c.1% management and c.12.5% carry (versus the typical 2%/20% in primaries), often stepping down as assets are realised.

Latin America has been used for analysis of the effect of secondary strategies on performance to better control for structural and market differences that complicate global comparisons. Spectra's six funds are benchmarked against primary fund peer groups by vintage year, and across these comparisons they consistently outperform other Latin America-focused funds without secondary strategies:

- Spectra's 2024 fund has significantly outperformed its peer group to date (achieving an IRR of 48% vs 5% for peers) but it is too early to draw any meaningful conclusions as secondary investments can generate returns more quickly by investing in mature portfolios while primary commitments will not have had enough time to generate meaningful distributions
- Spectra also outperform on **total value to paid-in capital (TVPI)**, reporting 4.0x and 3.6x multiples in the 2013 and 2017 vintages compared with 1.5x and 1.7x for the peer group¹⁷
- **Distributions to paid-in capital (DPI)** outcomes also demonstrate higher distribution of capital to investors. The 2013 vintage returned 2.6x compared with 1.0x for peers, and the 2017 vintage 1.5x compared with 0.6x

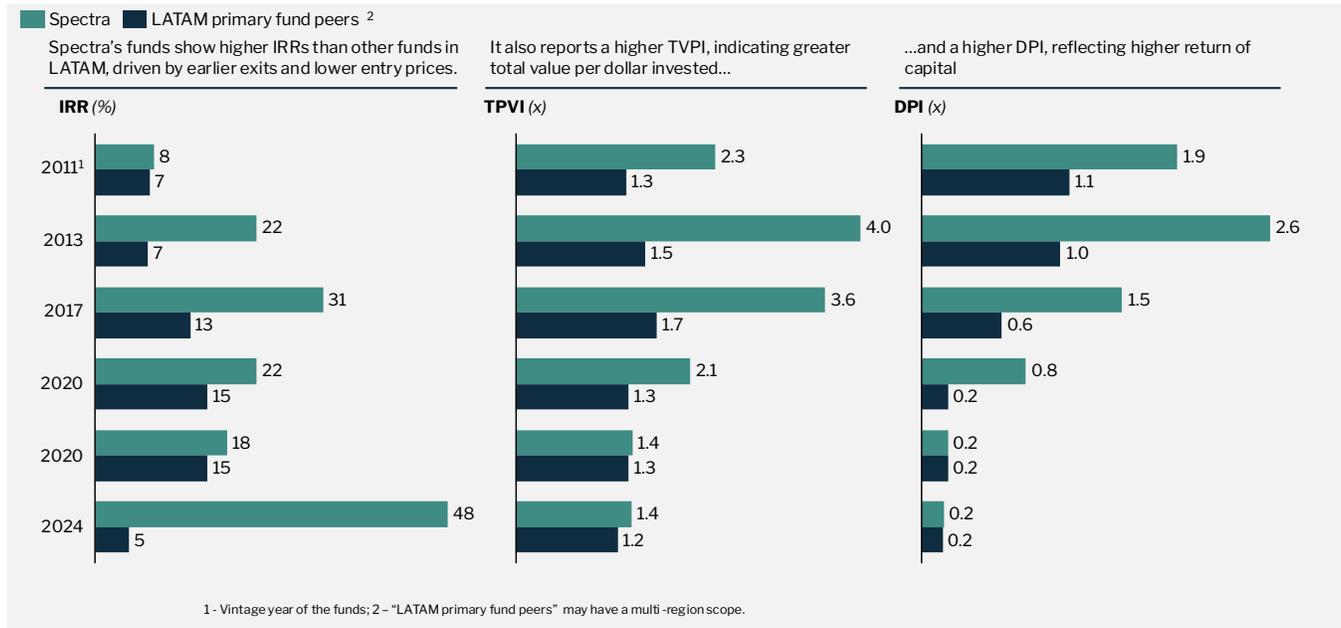
¹⁷

TVPI (Total Value to Paid-In) = (Cumulative Distributions + Residual Value [NAV]) ÷ Paid-In Capital.

DPI (Distributions to Paid-In) = Cumulative Distributions ÷ Paid-In Capital.

"2013 vintage" refers to funds whose first investment/close was in 2013; multiples are measured as of the stated date (net of fees). Older vintages typically show higher DPI (more realised exits)

Figure 6. Spectra's Secondaries Strategy vs LATAM Primary Fund Peers (Private Equity International)

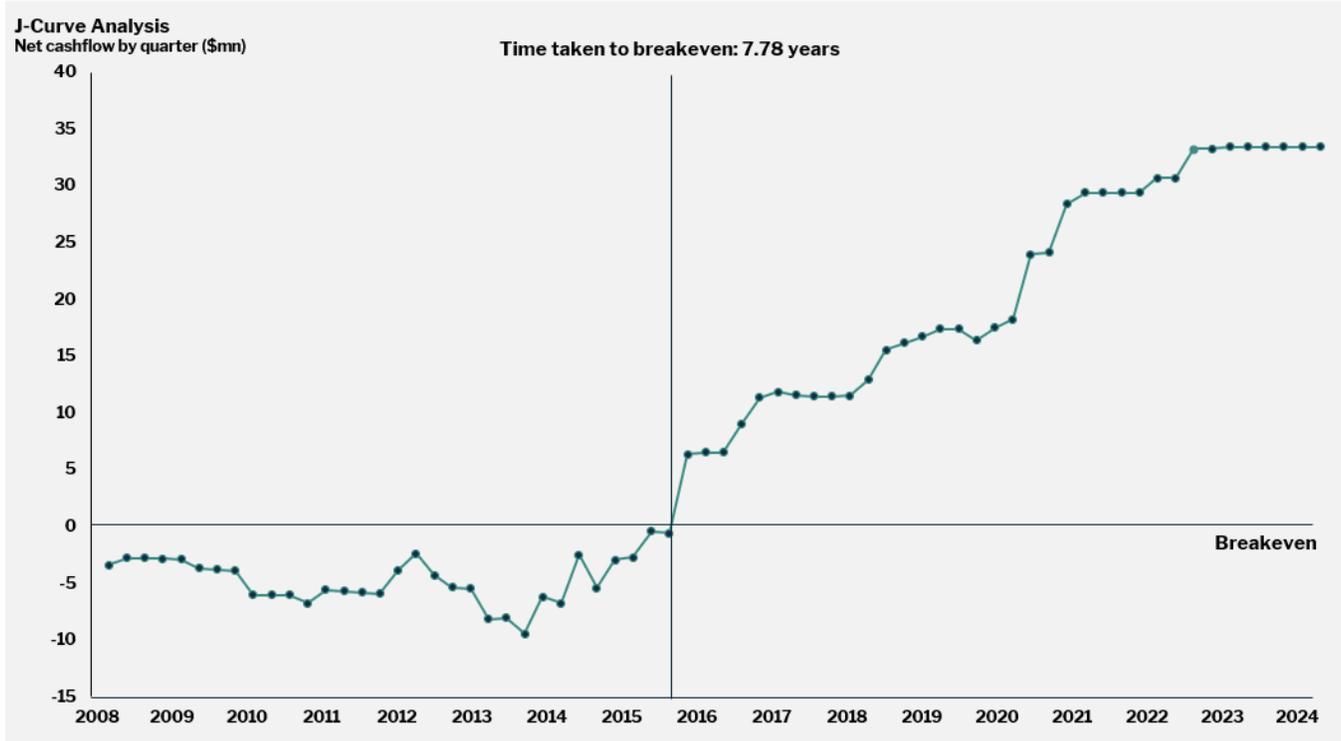


Liquidity effects

- **Higher and faster returns for related primary vehicles:**

J-curve analysis and capital return profiles: The J-curve describes the early years of a private market fund when returns are negative followed by an upward swing in performance. Investing in secondaries can help alleviate the J-curve effect because they buy into more mature portfolios with line-of-sight to near-term realisations. As assets are already partway through the value-creation cycle, LPs typically see earlier distributions from exits and recapitalisations, and the overall holding period is shorter than in primaries. The ability to exit to secondary vehicles also positively impacts the timing of distributions for primary funds. To assess the potential impact of secondary interventions on primary funds, Madison Dearborn Capital Partners VI (a 2010-vintage buyout fund that in 2021 used a GP-led single-asset continuation fund to roll over its stake in NFP Corp) was compared against a peer group of five other buyout funds of the same vintage across similar sectors. Madison Dearborn Capital Partners VI reached breakeven in 7.78 years, compared with a peer median of 8.5 years, and delivered a DPI of 2.26x versus the peer median of 1.7x. While the earlier breakeven cannot necessarily be attributed to the continuation fund given it occurred before the 2021 transaction, the J-curve analysis shows a marked uptick in distributions around that time, supporting the argument that such structures can improve overall capital return profiles. However, the comparison is illustrative, and other factors such as sector mix, deal timing, fund size, and valuation practices may also have influenced the outcomes.

Figure 7: Madison Dearborn Capital Partners VI Fund J-curve (Private Equity International)



Impact on SDGs

Secondary transactions do not create new assets. Instead, they allow investors to exit and recycle capital, which increases the pace of new primary investment. This higher velocity of capital supports continued flows into infrastructure, energy, and productive industries. Examples of development effects:

- **Jobs and growth:** Recycled equity finances expansion hiring, supply-chain spend, and productivity upgrades in portfolio companies.
- **Infrastructure and industry:** More capital reaches backbone services and productive assets, improving reliability, logistics, and digital capacity.
- **Energy and climate:** Additional funding scales clean and resilient energy businesses, supporting access, efficiency, and emissions reduction.

4 Key enablers

SUPPLY AND DEMAND SIDE ENABLERS



Asset supply:

- **Pension plan allocations and regulatory triggers (e.g. Basel I, NAIC) created pools of LP stakes for resale**
 - In Brazil, repeated FIP stake sales by Previ, Petros, and FUNCEF built a steady pipeline of infrastructure, energy, logistics, and agribusiness portfolios
- **Market downturns (dot-com crash, GFC) increased supply** by leaving pensions and endowments overweight in PE



Investor depth:

- Early specialist buyers (e.g. VCFA) showed that **LP-led sales could provide liquidity**
- ICG's Strategic Equity fund formalised GP-led restructurings, widening investor options
- **Spectra's Fund VI drew a predominantly local investor base** (75% families, 15% pensions, 10% international), insulating fundraising from FX volatility while broadening the buyer pool



SYSTEM ENABLERS



Market infrastructure & intermediaries:

- **Specialist brokers, advisors, and fund administrators professionalised execution** after the GFC
- **Standardised vehicle structures (e.g. Brazil's FIP) enabled LP-share transfers**; Spectra's database improved transparency and pricing

Policy & regulation:

- **ERISA (1979) opened PE allocations** for U.S. pensions, seeding capital later recycled in secondaries
- **Basel I and NAIC rules in the 1990s triggered divestments of PE stakes**
- **CVM Resolution 175 (2023) consolidated Brazilian fund rules**; ANBIMA reinforced transferability through self-regulation



Macroeconomic & geopolitical stability:

- **Global downturns (dot-com, GFC) created valuation gaps**, increasing reliance on secondaries as an exit route
- **High interest rates (e.g. in Brazil) raised capital costs**, making secondaries an attractive liquidity outlet



ANBIMA: Associação Brasileira das Entidades dos Mercados Financeiro e de Capitais
 CVM: Comissão de Valores Mobiliários
 FIP: Fundo de Investimento em Participação

5 Other liquidity tools

Liquidity guarantees

Octobre Liquidity Guarantee Facility is an initiative launched by Innpact (Luxembourg) and Cardano Development (Netherlands). It was designed to address a key inefficiency in impact investing: while the sector requires long term (8- to 10-year) commitments, more than 90% of global private capital is concentrated in strategies that offer daily liquidity. Octobre introduces a guarantee mechanism that allows investors to exit private market fund positions quickly, creating a secondary liquidity layer for private equity and debt funds in emerging markets. The facility is typically organised at fund inception, either subscribed directly by the LP, or structured through the GP which can use the guarantee to make its fund offering more attractive to new private investors. Through pre-agreed fund documentation and side letters negotiated at investment entry, Octobre offers the LP the option to sell its stake in the fund at any time, replacing the exiting investor within ten business days. This structure reduces illiquidity and commitment risk, making it easier for new private investors, particularly through bank offerings to their retail and private banking clients, to participate in impact markets.

Octobre has a mission to mobilise new capital and thus offers the guarantee only to new private investors at the point of primary commitment, rather than to existing LPs seeking to exit underperforming funds.

Before extending a guarantee, Octobre carries out full due diligence on the fund and becomes a “shadow investor” with access to the same reporting and information as other LPs. This allows for continuous oversight of fund performance. Octobre also pre-negotiates transfer rights and documentation standards with GPs and LPs so that it can promptly execute the transfer of the position.

Octobre charges a yearly premium for its guarantees, based on the guaranteed amount, the type of underlying assets, and maturity. Upon a claim by the LP, an irrevocable upfront payment, based on the latest available NAV, is completed within ten business days, with a complement on price being paid in a maximum of twelve months, upon determination of the fair market value of the position through a secondary sale.

As this approach is still relatively new, some GPs and investors may require time to understand how guaranteed liquidity fits into existing fundraising norms and long-term DPI expectations.

NAV lending facilities

NAV loans are a tool for fund managers to unlock liquidity by borrowing against the value of their portfolios. Although they provide interim liquidity, NAV facilities are not secondary transactions, as no transfer of ownership or fund interests occurs. The use of these structures is growing rapidly in developed markets with USD 16.7 billion estimated to have originated in the U.S. (as of 2023) (Bippart, 2025). Specialist lenders such as 17Capital and other private credit firms are the most active providers, while banks participate selectively given capital treatment rules.¹⁸ Use cases include providing financing follow-ons, bridging acquisitions, and supporting continuation funds. More recently (2025), infrastructure managers have also started raising NAV financing to manage contracted, cash-yielding assets. Because infrastructure investment vehicles have longer fund lives than typical private equity funds,¹⁹ NAV loans in this space are often structured as revolving credit lines with term out options or delayed draw facilities that align borrowing with project pipelines (Snelson & Klugman, 2025).

¹⁸ Banks maintain a certain ratio of regulatory capital to risk-weighted assets (RWA) (e.g. under Basel III rules). NAV loans are often classed as higher-risk exposures requiring banks to hold more capital (and making them less willing to lend)

¹⁹ Infrastructure funds have lives between 15 and 20 years on average rather than the 10-year average for buyout funds

In EMDEs, NAV lending is nascent. Activity in Asia is largely confined to real assets, credit funds, and selected large private equity sponsors with a few specialist providers, such as Tau-PAM and Ion Pacific in Hong Kong beginning to offer NAV or NAV-like facilities. Global lenders like 17Capital also participate opportunistically, usually through global mandates that include Asian portfolios. Hybrids that combine subscription lines²⁰ and NAV tranches are also being tested, though they remain highly bespoke. Fund documents (LPAs) often limit NAV structures by restricting pledges of assets, capping fund-level borrowing, or imposing short debt tenors. Lenders in Asia also apply conservative terms, with low loan-to-value ratios and minimum facility sizes which prevents smaller funds from accessing facilities (Burroughs, 2024).²¹

Interviews suggest NAV lending has yet to gain traction in Africa. Fund managers point out that facilities have all-in costs that can climb into double digits. At those levels, borrowing is uneconomical given the modest returns many African portfolios generate. Additionally, in frontier markets with volatile interest rates, NAV loans can heighten risk, especially when used for distributions rather than new investments or to lower portfolio funding costs. LPs also tend to be wary of NAV structures, viewing them as risky and potentially extracting value rather than creating it. Some interviewees proposed that concessional capital could improve feasibility by narrowing spreads and raising loan-to-value thresholds, but such approaches remain untested in practice. NAV lending has also not developed into a meaningful market in Latin America.

In EMDEs, without targeted support, structural constraints (e.g. smaller fund sizes, restrictive fund documents, currency risk, high costs of capital) will likely restrict the scale up of NAV lending. Concessional or risk-sharing capital may help bridge the economics by lowering spreads or improving loan-to-value ratios, though such

interventions must be carefully structured to avoid distortion and ensure they mobilise private lenders rather than displace them.

²⁰ Subscription lines: short-term credit facilities secured against undrawn investor commitments, repaid via LP capital calls

²¹ Minimum NAV facility sizes in Asia are often USD 100-150m; loan-to-value ratios typically 10 to 15%

6 MDB/DFI-backed funds with secondary strategies in EMDEs

Multilateral and bilateral DFIs are evaluated on additionality: their ability to deliver financial or non-financial value that the private sector would not otherwise provide. Since secondary transactions often re-allocate existing exposures rather than fund new assets, they can struggle to evidence financial or development additionality on the buy-side under MDB/DFI frameworks, so most DFIs prioritise primary investments or direct origination instead. Increasingly, DFIs are focusing on market creation and mobilisation, seeking demonstration effects that catalyse private capital (IFC, 2018).

However, their interventions, whether creating vehicles or selling stakes, in the secondary market can directly reduce perceived risk, enable exits, improve price discovery, and broaden the investor base, all of which increase liquidity and capital velocity in EMDE markets and help mobilise follow-on private capital. They can also lower funding costs by opening new channels for investees to raise capital. By widening the available capital pool, these mechanisms accelerate corporate growth and investment programmes, support job creation, and increase tax revenues, thereby mobilising additional private capital and delivering positive additionality beyond the individual transaction.

Relevant examples

Globeleq Africa Power Platform (Africa): In 2015, CDC Group (now BII) and Norfund acquired direct ownership of Globeleq Africa from Actis, with BII at 70% and Norfund at 30% (BII, 2015). This was a secondary purchase of a mature IPP platform that enabled Actis to recycle capital while placing DFIs in control to standardise governance and reporting for future crowd-in and monetisation. The transaction reflected a strategic pivot and a significant increase in development expenditure aimed at hard-to-reach markets; for example, in 2025 the DFI owners signed a share purchase agreement with Norfund to acquire a 51% equity

stake in the Zambian company Lunsemfwa Hydro Power Company. **DFI involvement:** *BII and Norfund acted as secondary buyers at platform level. Using DFI ownership to stabilise operations and improve disclosure supports later exits. This also broadens the investor base creating repeatable secondary pathways for operating assets in EMDE markets.*

BlueEarth EM Impact Secondaries (Africa & Asia): In 2024, Blue Earth Capital bought portions of three fund stakes from BII: Aavishkaar Goodwill India Microfinance II (India), Novastar Ventures Africa Fund II (VC, Africa), and Adenia Capital Fund IV (buyout, Africa). BII emphasises this was its first portfolio secondary, explicitly piloted to mobilise private capital and demonstrate liquidity in EM impact funds. BII retained part of each position and Limited Partner Advisory Committee (LPAC) seats (Blue Earth Capital, 2024). **DFI involvement:** *The transaction was positioned as a mobilisation strategy to seed an EM secondaries market, not a simple balance sheet exit. Practically, the deal shows DFIs can catalyse secondaries by (i) retaining some exposure, (ii) targeting strong underlying managers, and (iii) recycling released capital into new EM commitments.*

Visão Prev and Spectra evergreen FIP (Brazil – LATAM): In 2025, Visão Prev and Spectra launched an evergreen FIP that keeps the pension fund invested across Spectra vintages, with reinvestments handled inside the vehicle. The fund began with BRL35 million (USD 5.8 million) and a mandate to allocate across Spectra FIPs, reducing reinvestment frictions and smoothing capital pacing for the LP (Investidor Institucional, 2025). **DFI involvement:** *while not a DFI-related fund, development actors can borrow its evergreen features (continuous subscriptions, NAV based dealing, automatic reinvestment) when anchoring EMDE secondary vehicles to support liquidity and price discovery.*

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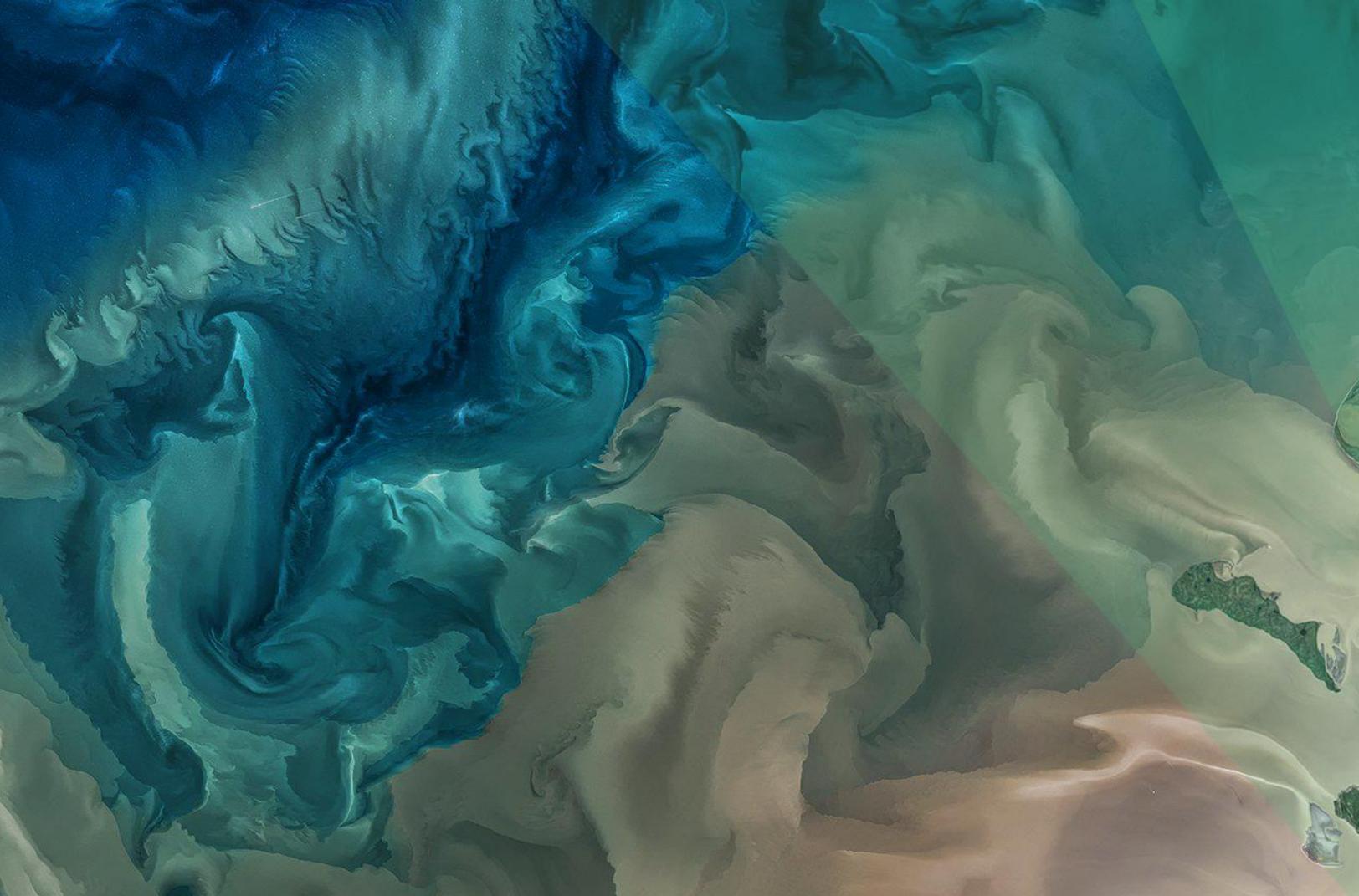
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