

SECONDARY MARKET VEHICLES IN EMDs

LESSONS AND IMPLICATIONS FOR
DEVELOPMENT ACTORS

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ThirdWay *Partners*



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Executive Summary

Action is needed to strengthen capital markets in emerging markets and developing economies (EMDEs) by establishing credible exit routes that improve liquidity and enable primary markets to function more effectively.

Developers and fund managers face limited options to sell down operating assets or exit long-term holdings, constraining their ability to recycle capital into new projects and funds. These gaps lengthen holding periods, slow fundraising, and restrict the flow of capital into impactful investments across EMDEs. Secondary market vehicles, which specialise in acquiring assets from existing investors, can help address these gaps by providing predictable exit routes that derisk investments and improve capital recycling. These vehicles also create lower risk opportunities for investors to participate in more mature assets, broadening participation from institutional investors. The relevance and structure of these vehicles vary across sectors, geographies, and instruments.

This report examines how secondary market vehicles can most effectively contribute to improved capital flow, market liquidity, and greater private sector engagement in EMDEs, as well as how development actors can most effectively intervene. It focuses on infrastructure and real estate vehicles and on private equity vehicles. The analysis is informed by detailed case studies, a systematic mapping of current market activity, quantitative benchmarking, and interviews with market participants.

Mapping across EMDEs indicates that the development of secondary vehicles remains limited but is gaining momentum across infrastructure and real estate vehicles, as well as private equity fund structures. In some EMDEs (e.g. India, South Africa, Mexico), Infrastructure Investment Trusts (InvITs),

YieldCos, and Real Estate Investment Trusts (REITs) are beginning to scale and provide credible exit routes. Within private equity, Brazil, India, and parts of Africa have seen dedicated secondaries funds and transactions (e.g. Spectra, Stratford House, Sango Capital, MeTTa Capital), indicating rising investor appetite, though volumes remain modest relative to developed markets.

Experiences from case studies in EMDEs and developed markets provide lessons on the tools that could be adapted. Listed vehicles that pool operating infrastructure assets, such as YieldCos in the U.S., REITs in Mexico, and InvITs in India, illustrate how clear tax treatment, supportive anchor investors, and a large base of operational, cash flowing assets can support scale and create reliable exit routes. In private equity (and debt) markets, vehicles such as dedicated secondaries funds and continuation funds (sometimes referred to as continuation vehicles) demonstrate that where transparent valuations, aligned incentives, and supportive regulations are in place, they can extend the life of quality assets and provide liquidity to investors. Separately, there is a group of secondary vehicles that focus on funds that are nearing the end of their lifecycles and/or are not performing by providing managed exit processes (as seen with specialist intermediaries such as Stratford House). These examples highlight both effective approaches and the risks that emerge when the necessary enabling conditions are not in place.

Development actors can play a catalytic role. Development finance institutions (DFIs) can operate on both sides of secondary transactions to help mobilise private capital: as sellers that use secondary vehicles to exit mature, illiquid positions, and recycle capital, and as selective buyers to stimulate market

creation and improve price discovery. Interventions may include supporting the creation of purpose-built vehicles for illiquid assets, completing transparent demonstration deals to expand participation, and offering targeted risk sharing for early transactions to draw in local insurers and pensions. More specifically, in infrastructure, DFIs could anchor pilots and support regulators and exchanges to refine vehicle structures in more mature markets. In less mature markets, DFIs could prioritise unlisted pilots until asset pipelines deepen, while also assessing whether regional platforms are feasible. In private equity, where DFIs are Limited Partners (LPs) in many ageing EMDE funds, they likely need to accept discounts (where appropriate) to unlock trapped capital in the short term, while also supporting vehicle development for longer term market creation.

Development actors can also back intermediaries and data platforms, promote simplified structures alongside standardised documentation and reporting to improve transferability, and support policy and regulation development to scale vehicles. To enable these interventions, DFI mandates and scorecards must recognise market creation as a development outcome *in its own right*, giving DFIs the flexibility to accept discounts where needed, and seed pooled vehicles, among other measures.

1 Introduction

This report examines how scalable secondary vehicles can improve capital flow, market liquidity, and strengthen private sector participation in EMDEs, and sets out actions development actors can take to support their effective development and scaling. Historically, development actors, particularly DFIs, have focused on primary deployments (across both equity and debt) with little direct involvement in creating secondary market vehicles. Where DFIs have engaged, activity has broadly been limited to portfolio management of Limited Partner (LP) positions (e.g. BII's 2024 secondary transaction with Blue Earth Capital, through which it sold interests in a mix of African and Asian private equity (PE) funds). Engagement has also included a few platform level transactions and increasingly, securitisations. The focus on primaries is shifting as challenges with exits have limited capital recycling while funding constraints have increased. This has led to greater focus on the role of secondary vehicles in improving liquidity, deepening capital markets and expanding private capital mobilisation in EMDEs.

While secondary markets more broadly include the trading of existing assets between investors (such as shares on listed exchanges), this report focuses on scalable secondary¹ vehicles and the interventions required to enable their growth. These vehicles, which could be public or private, specialise in acquiring² assets from existing investors, providing them with liquidity. Vehicles which provide liquidity but do not include asset transfers (e.g. synthetic securitisations, derivatives) are not considered in this report. The analysis focuses on secondary vehicles that take equity ownership in assets, rather than on debt-pooling vehicles, reflecting equity investments' greater reliance on secondary market mechanisms to provide liquidity. To ensure the focus is on scalable vehicles, the report also does not cover IPOs and only briefly covers vehicles focused on direct buyouts. Additionally, securitisations have been addressed extensively in prior research and are therefore only discussed briefly in this report.

Within scope, vehicles are grouped by their underlying asset type, reviewing infrastructure

Note on securitisations: Securitisations are structured financial transactions which pool illiquid assets into tradeable, interest-bearing securities. They began in their modern form in the 1970s with various mortgage-backed securities that eventually expanded into securitisations of other (primarily) debt instruments. Existing MOBILIST research on securitisations outlines the benefits of the vehicles, which increase capital velocity by freeing up lenders' balance sheets and reduce the cost of capital, together allowing for increased lending on better terms. By creating investment-grade products, securitisations can also attract new domestic and international risk-averse investors. Public listings can increase transparency and improve price discovery. Both impact and recommendations have already been covered extensively in these reports and elsewhere and so securitisations have not been a focus of this report.

See [Research Note: Securitisation for Sustainable Development](#), [Innovative Deals in Development Finance: Originate to Demonstrate](#), and [BII & FSD Africa \(2025\), The role of securitisation in developing capital markets in Africa](#)

¹ A note on terminology: "secondary" is used as an umbrella term while "secondaries" describe transactions involving the sale or transfer of existing private fund interests or portfolios (i.e. LP shares)

² "Acquiring" may involve either a direct purchase of the asset or the purchase of an income generating asset-backed security linked to the asset, without full ownership of it

and real estate vehicles separately from private equity vehicles, since their cash flow predictability, valuation methods, and risk profiles differ. Infrastructure-backed vehicles are generally supported by contracted, yield-generating assets, so buyers and sellers tend to converge more closely on price (similar to trading fixed income instruments). In contrast, secondary transactions in private equity are more subjective: value depends on future performance assumptions and the buyer's ability to manage or restructure assets. This can create valuation misalignment and lead to conflicts of interest between sellers and buyers. As maximising value depends on identifying the right strategic buyer, a costly and time-consuming process, some buyers may require a discount to compensate for this risk which sellers may accept to gain liquidity in the short term. The report also distinguishes between public vehicles (typically listed and trade on exchanges)³ and private vehicles, which transact bilaterally and rely on negotiated pricing. Infrastructure and real estate assets as well as private equity assets can be pooled in either public or private vehicles.

Brief overview of existing research

Across existing literature about secondary vehicles⁴, EMDE-specific work has been more limited, largely qualitative, and/or market specific. EMDE studies often discuss factors such as inconsistent asset valuation, thin buyer bases, and execution but rarely quantify effects of secondary vehicles on primary market outcomes (e.g. liquidity, cost of capital, capital velocity, investor mix). In contrast, developed market studies provide detailed and data-driven analysis on secondary vehicles. Existing MOBILIST work has broadly examined

how investors can generate impact through listed instruments in EMDEs by focusing on financial, development, and non-financial value additionality. In Africa, research has covered the feasibility and challenges associated with exit mobilisation (including DFIs and multilateral development bank (MDBs) exiting via public listings or sales to commercial investors) to recycle public funds and crowd in private capital for Sustainable Development Goal (SDG)-aligned investment. This report builds on that work by addressing gaps through market- and vehicle-level analysis of secondary vehicles that can help move capital toward more liquid, investable formats, which are often (though not always) suited to MOBILIST's focus on listed markets.

Report methodology

The report utilises a combination of quantitative and qualitative research to assess these hypotheses. It draws on interviews with over 40 stakeholders, including capital providers, fund managers (primary and secondaries focused), project developers, and intermediaries. It is organised thematically, beginning with the rationale for why secondary markets matter in EMDEs, followed by dedicated sections on infrastructure and real estate and on private equity. Each section combines market analysis, illustrative examples, and lessons for development actors. This is followed by a comparative analysis of public and private vehicles. The report concludes with recommended interventions for development actors, and a Theory of Change setting out how these interventions can be delivered. More detailed case studies, data, and transaction analysis can be found in supporting case study documents and the

³ Some vehicles are public but not listed on exchanges

⁴ For example, private equity secondaries reports: Lazard, *Secondary Market Report 2024*; INSEAD Knowledge, *A Liquidity Cushion in Troubled Times: The PE Secondaries Market*; market-specific infrastructure reports: Knight Frank, *Infrastructure Investment Trusts (InvITs) in India: Mapping Future Potential*; Climate Policy Initiative, *Beyond YieldCos*; Scielo, *Financialization y gobernanza local: El caso de las FIBRAS y la planeación urbana en México*

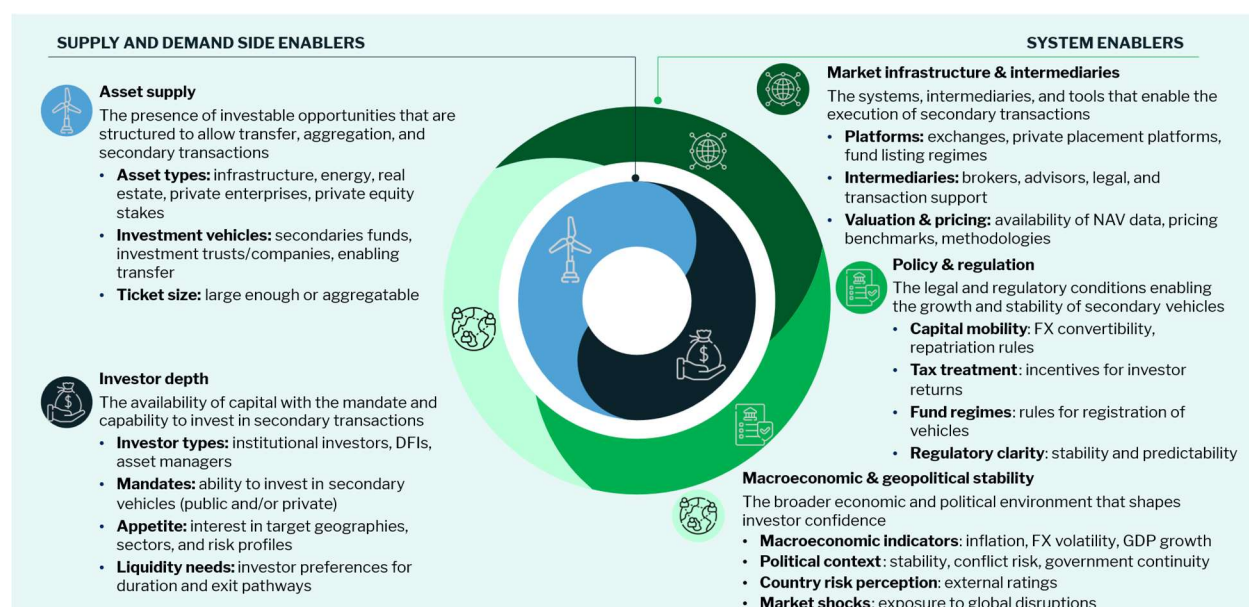
appendices for readers seeking deeper technical insights.

Conceptual framework

The report assesses secondary market development using a five-part framework, as outlined in Figure 1. Analytical Framework consisting of: (i) asset supply, (ii) investor depth, (iii) market infrastructure, (iv) policy and regulation, and (v) macroeconomic and

geopolitical conditions. This structure provides a consistent basis for comparing instruments and markets and helps identify how different enablers shape secondary market maturity across contexts. The framework was applied across markets and vehicle types to examine enablers and derive pre-conditions to successful secondary market vehicle interventions, lessons learned, and recommendations.

Figure 1. Analytical Framework



2 Why secondary market vehicles matter in EMDEs

Across infrastructure, real estate, and private equity, capital markets in EMDEs continue to face a range of market frictions, including limited exit pathways, mismatch between asset risk and the lower risk appetite of potential buyers, unreliable asset valuations, and currency mismatches.

In infrastructure and real estate, these frictions could reduce investment and slow progress toward national targets. For example, many EMDEs face large investment gaps relative to their stated power and renewables ambitions. Vietnam aims to reach a total installed power capacity in the range of 183-236 gigawatts (GW) by 2030 (up from just over 80 GW at the end of 2023) (Vu & Guarascio, 2025) while Nigeria is targeting 30% renewables by 2030 (SE4ALL Nigeria, n.d.). Across EMDEs, achieving such targets will require close to USD 3.9 trillion in annual climate related investment through 2030, yet only USD 0.9 trillion is currently being financed (leaving an annual gap of around USD 2.9 trillion) (Naran, et al., 2025).

In private equity, limited exit options (for both funds and LPs) reduce private capital mobilisation. Exit constraints are particularly visible in Africa's private markets. In 2024, only 26 venture-backed exits were recorded across the continent (representing c.5% of all venture deals), the majority through trade sales (81%) and the remainder through private equity and other financial buyers (19%) (AVCA, 2025). No IPO exits were recorded in 2023 or 2024, reflecting a broader global downturn in public listings (EY, 2025). By contrast, exit activity in developed markets such as North America was higher, supported by deeper capital markets: North America recorded 1,147 venture-backed exits, including 42 IPOs, (representing c.13% of

all venture deals) valued at about USD 98 billion in 2024 (NVCA, 2025).

Market frictions are exacerbated by the accumulation of “stuck” capital (capital tied up in portfolio companies that GPs cannot exit, delaying distributions to LPs and limiting redeployment) particularly in Africa and South Asia over the past two decades. DFIs backed many first-time fund managers which, together with broader market structure challenges, contributed to the emergence of “zombie” funds – underperforming funds that extend beyond their expected lives and continue to charge fees but are no longer making or exiting investments. Poor performance means the funds are unlikely to meet their hurdle rates⁵, eliminating potential upside from carried interest. GPs of these funds are typically unable to raise capital for follow-on funds due to this poor track record. Management fees from the existing fund are their only source of ongoing revenue, which incentivises GPs to keep funds open, holding assets well beyond intended fund lifecycles and tying up LP (often DFI) capital. Remaining invested in zombie funds carries an opportunity cost: while LPs may need to realise losses, exiting can free up capital to be recycled into more productive investments. The existence of these funds also heightens risk perception of investing in these markets, reducing potential private capital mobilisation opportunities.

Secondary vehicles could help to reduce some market frictions by establishing credible market pathways for exits and capital recycling, supporting improved capital market development as outlined in Table 1. How Secondary Vehicles Can Address Market Frictions

⁵ A hurdle is the minimum return a fund must deliver before the GP becomes eligible to earn carried interest

Table 1. How Secondary Vehicles Can Address Market Frictions

Market friction addressed	Infrastructure and real estate	Private equity
Limited capital recycling	Listed and unlisted vehicles such as InvITs and YieldCos allow developers to sell operating assets and reinvest in new project development	Secondary vehicles provide a path to exit, allowing stuck capital to be redeployed. Demonstrating credible exits helps attract new investors into primary markets. Stapled secondaries, where the buyer of the LP stake commits capital to a new fund being raised by the same GP, can bring new investors into primary funds and support high-performing GPs' growth
Currency mismatches	YieldCo-like vehicles that generate revenue in local currency are attractive to domestic pensions and insurers with local currency liabilities	Regional secondaries funds denominated in local or blended currencies can reduce local investors' exposure to FX volatility
Limited diversification	Vehicles can lower concentration risk and enable more predictable distribution profiles by aggregating assets. This aligns with insurer preferences for fixed maturities and pension appetite for steady yields	Secondaries allow investors to enter portfolios after assets are more mature (rather than committing to blind pools) and shorten J-curves ⁶ . This is particularly relevant for pensions and insurers in Africa with conservative mandates and shorter liability horizons
Limited benchmarks for valuation	Although typically more reliant on asset-level valuations, benchmarks from secondary transactions can provide helpful reference points particularly for less knowledgeable investors	Where few trades occur, secondary sales can establish credible reference points. In Africa, where many funds carry assets at unrealistic values, discounted transactions in the short term can help reset valuations and restore confidence. Over time, as more transactions take place, valuations are likely to become more transparent and accurate from the outset, improving overall market discipline

Frictions are not uniform across geographies or sectors, and so solutions must also be tailored. In Latin America, where pension funds have already engaged in secondary sales (as sellers of legacy positions and as buyers through secondary vehicles), the focus is on improving valuation benchmarks and scaling vehicles. In Africa, the priority for secondary vehicles would be focused on providing domestic institutions with entry points into alternatives through risk sharing and simplified structures. However, in some frontier markets, governments may have concerns that secondary market vehicles could draw domestic savings away from government bonds, a view that will need to be overcome. This zero-sum perception overlooks their

potential to stimulate economic growth, expand the tax base, and ultimately reduce reliance on public borrowing. As seen in the following case studies, where secondary vehicles have been successfully introduced, fundraising timelines are shorter, participation from institutional investors is higher, and cost of capital is lower. However, secondary vehicles cannot, on their own, overcome deeper challenges such as foreign exchange (FX) volatility, high sovereign debt burdens, or weak policy frameworks. They are best seen as complementary tools that can be impactful when certain enabling conditions are in place, including credible pipelines and clear regulation and policy design.

⁶ The J-curve describes the return profile of a private market fund: negative returns in the early years followed by an upward swing in performance

3 Secondary vehicles in infrastructure and real estate

3.1 MARKET OVERVIEW

In infrastructure and real estate, project developers and sponsors originate and build assets (e.g. power plants, grids, roads, ports, income-producing buildings, and digital infrastructure) taking them from feasibility and permitting through financing, construction, and early operations. This is typically funded through sponsor equity and construction debt. Revenues are generated through long-term contracts (e.g. offtake agreements, availability payments), regulated tariff regimes, or usage-based fees such as tolls and port charges. Once projects reach commercial operation and performance is proven, owners typically choose between holding the asset for long-term yield and active ownership or exiting (partially or fully) to recycle capital into new development opportunities.

Across many EMDEs, project pipelines are poorly managed, permitting is slow, and completion risk remains elevated. Additionally, due to underdeveloped local financial markets, particularly in Africa, project developers often seek financing from international investors, typically in hard currency, which increases financing costs (due to currency volatility). Markets also tend to lack transparency, which can increase transaction costs. At the same time, the lack of exit routes deters investment⁷ and prevents capital from being recycled.

Secondary mechanisms create orderly, repeatable pathways for ownership to transition from risk-taking developers to long-term, risk averse holders. By enabling predictable exit channels at or after

stabilisation, they return equity to developers, shorten payback periods and accelerate capital recycling and new project delivery.

"A developer sold operating assets into a secondary vehicle in order to recycle capital into the next set of renewable projects. Without that exit, they wouldn't have been able to invest in new greenfield assets"

Regulated platforms like InvITs, YieldCos, and REITs with consistent rules on governance, disclosure, and distributions can pool stabilised, income generating assets into investable products for a wider range of investors. Depending on the market and related regulations, these structures are often publicly listed but may also be privately held or publicly offered but unlisted⁸.

"Secondary vehicles exist so developers can take development risk, exit positions, and recycle that capital back into building new assets"

Infrastructure is well suited to these vehicles: long asset lives and predictable cash flows, which are often linked to inflation, allow vehicles to pay dividends reliably and institutional investors to match cash flows to their liabilities. These structures pool multiple assets to diversify project-level risk, lower

⁷ For example, FSD Africa Investments cited lack of early liquidity as a key barrier to Nigerian pension funds' investment in infrastructure, which was part of its rationale for deploying risk-bearing capital into Arm-Harith's ACT fund (FSD Africa, 2025)

⁸ Public but unlisted companies (also called unlisted public companies) are legally classified as public and therefore subject to public company regulatory requirements (e.g. periodic financial reporting, governance standards) but as they are not listed on a formal stock exchange, they do not have to meet listing rules (e.g. free-float, exchange disclosure requirements). Their shares may be traded over-the-counter, on alternative trading systems, or via private negotiated trades. The companies have access to a wider pool of potential investors than private companies though with much lower liquidity than listed equities

information asymmetry and transaction costs, improve price discovery (through listing), and broaden participation to local pensions, insurers, and retail investors. For sponsors and governments, this can reduce funding costs while mobilising local savings into productive infrastructure.

As with similar transactions, currency risk remains a key constraint in infrastructure. While secondary vehicles backed by local currency revenues are typically structured in local currency, project development financing is often raised in hard currency. This may create some friction when assets are transferred. As with other investments, hard currency investments into local currency secondary vehicles would need to consider reducing return expectations and/or including derisking mechanisms.

Examples from emerging markets show how these structures are gaining traction. The following case studies provide an overview of how InvITs, YieldCos, and REITs work in practice, the pre-conditions required for their success, and lessons for secondary market interventions. In addition to holding different underlying assets, these vehicles are also structured differently: InvITs are trusts in India, YieldCos are publicly listed operating companies in the U.S., and REITs can be structured either as trusts or companies depending on the jurisdiction.

3.2 CASE STUDIES

3.2.1 Infrastructure Investment Trusts (InvITs)

*For additional context, please see **Case Study: Infrastructure Investment Trusts (InvITs)***

The term “InvITs” was coined in India when the vehicles were introduced in 2014; in other regions, similar vehicles exist but they are generally referred to as “business trusts”. In late 2024, South Africa announced plans to

introduce InvITs and set up a blended-finance vehicle to attract investment for the development of infrastructure projects (Cele, 2024).

INDIA’S INVITs: SEQUENCED REFORMS FROM AN ACTIVE REGULATOR EXPANDED THE MARKET

In India, InvITs are structured as trusts and are established by a sponsor, typically an infrastructure developer, who is required to retain a minimum 5% unitholding on a post-issue basis. The trust’s activities are overseen by an investment manager, responsible for managing its assets, executing acquisitions, and ensuring operational performance under the Securities and Exchange Board of India (SEBI) framework.

InvITs can be publicly listed, which supports secondary trading and retail access, or privately listed (similar to public but unlisted), which can limit volatility but also investor access. After early challenges due to valuation mismatches between sponsors and potential investors, and limited domestic yield-focused investors, SEBI issued a series of reforms: introducing a temporary unlisted regime (later discontinued to encourage listings), increasing leverage ceilings for AAA-rated InvITs, allowing investment from domestic banks and offshore investors, and reducing minimum investment thresholds to encourage retail participation. In 2023, SEBI introduced governance upgrades – independent boards, clearer sponsor obligations, and restrictions on pledging units as collateral (Mishra, et al., 2024).

The market has grown significantly and diversified across a range of infrastructure classes, including roads, power, telecom, pipelines, renewables, and data centres. Although sponsors, still hold a sizable share (c.47% of sector AUM) which constrains free float, retail investment is rising (c.9% across the market but over 30% in some vehicles).

Further steps, including allowing index inclusion and investments from the National Pension Scheme, could deepen liquidity and mobilise additional long-term capital.

IndiGrid, the first listed power sector InvIT in 2016, benefited from backing by its sponsor (Sterlite Power), global investors, and DFIs. It grew through acquisitions of assets from its sponsor and other project developers, highlighting the importance of diversifying away from a single sponsor. Over time, Sterlite Power reduced its share, exiting fully in 2023; however, in 2024 when a seller's market made purchasing operating assets at a reasonable price challenging, IndiGrid set up a USD 300 million development platform, EnerGrid, with support from BII and Norfund, which pre-sells a steady pipeline of transmission assets to IndiGrid.

Outcomes

Faster capital recycling, lower cost of capital

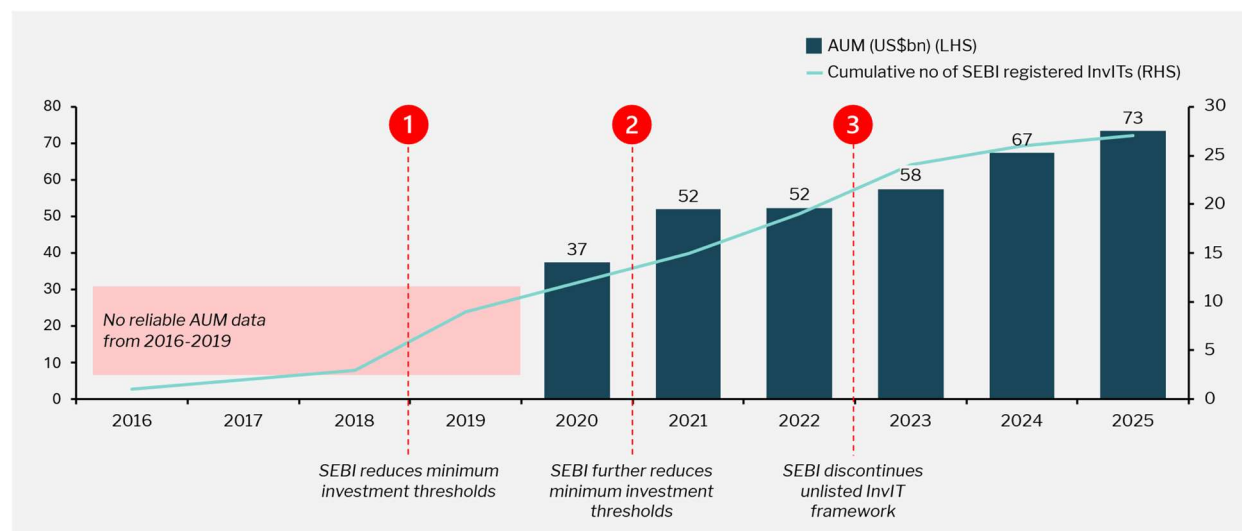
InvITs have become an efficient exit route for project developers to sell operational assets. By March 2025, they had raised c.INR 3.7 trillion (c.USD 42 billion) across debt (54%) and equity (46%). Equity proceeds typically return

to developers, allowing them to redeploy freed-up capital into new builds and capex. A significant share of InvIT-level debt is used to refinance existing project loans, as InvITs can access repeatable, lower coupon debt compared to bank financing or project-level debt issuances (e.g. Cube Highways Trust issued non-convertible debentures at c.6.9-7.3% vs. bank loans at more than 9%). However, InvIT-level debt may also be used to repay other internal and/or subordinated debt, fund maintenance, and top up reserve buffers (India Ratings & Research, 2023). InvITs also benefit from a favourable trust structure and tax framework, both of which help reduce the cost of capital.

Faster infrastructure growth, job creation

InvIT-enabled capital recycling has accelerated execution and employment: the National Highways Authority of India built 24,000 km of roads between 2019 and 2024, generating a significant number of direct and indirect jobs; InvITs have also helped to scale power transmission (e.g. IndiGrid's 9,000 circuit km). This capital recycling has helped to support India's goals on logistics costs reduction and non-fossil power capacity.

Figure 2. Growth of InvITs in India (Knight Frank, 2025), (Bassi, et al., 2019)



3.2.2 YieldCos

For additional context, please see **Case Study: YieldCos in the U.S.**

YieldCos in the U.S. began in 2013 with a focus on renewable energy. They were modelled after similar instruments, such as Master Limited Partnerships which had been used to finance infrastructure in the U.S. and Canada. Similar vehicles exist in other countries (e.g. UK, Canada, and more recently South Africa).

YIELDCOS IN THE U.S.: MARKET DECLINE DUE TO OVERPROMISED RETURNS AND HIGH SPONSOR RISK

In the U.S., YieldCos are C-corporations with Class A shares for public investors, providing economic rights and dividends, and sponsor Class B shares with majority voting power. The U.S. wave began in July 2013 when NRG Energy launched NRG Yield (now Clearway Energy), raising USD 431 million at USD 22 per share with a c.5.5% dividend yield. Rapid growth followed, in part driven by tax benefits in the renewables sector and promises of double-digit dividend growth at IPOs. However, as growth in renewables slowed, the market began to face challenges – the promised growth relied on continuous sponsor drop-downs⁹, an assumption that faltered as pipelines thinned, triggering a market correction in 2015-2016.

There were also challenges with dependence on a single sponsor. Unlike similar models in other countries (e.g. InvITs), many YieldCos relied on assets from one project developer that retained majority ownership of the YieldCo. In 2016, a key renewables developer (SunEdison) went bankrupt which significantly impacted its two associated YieldCos with significantly decreased share prices (one down 50%) and ultimately resulted in their delisting in 2017. The market has since faltered – as of

2024, only three YieldCos remain listed, and they underperformed energy benchmarks in the last few years. There has been some interest in reviving the structure for data centres, but this has not yet materialised.

However, despite the challenges in the U.S., the model could be relevant for EMDEs with important lessons to be learned, particularly related to sponsor risk and overpromised growth.

Outcomes

Standing buyers, faster exits, higher valuations

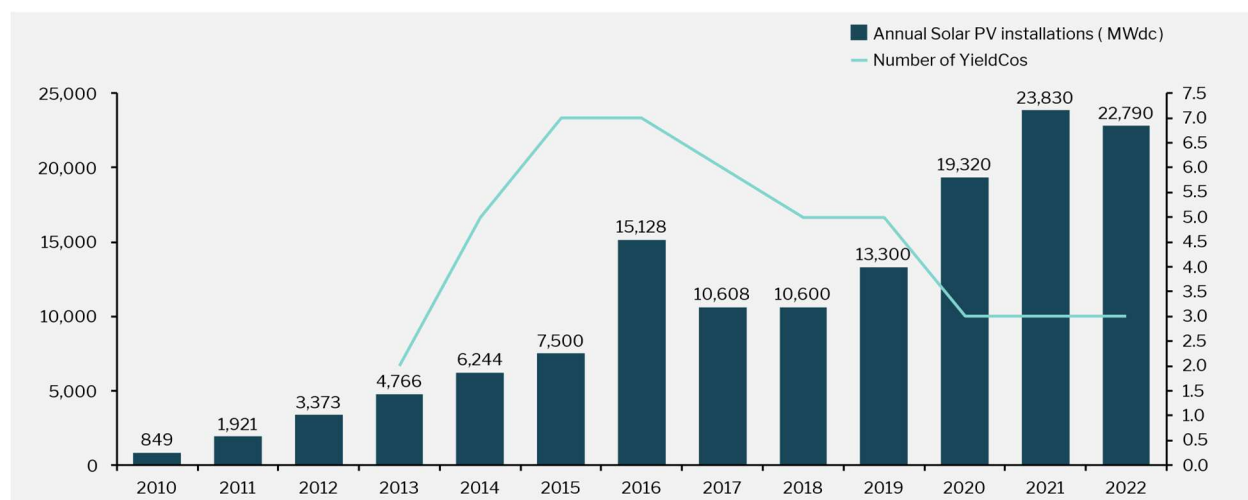
YieldCos broadened investor participation beyond private infrastructure funds by attracting mainstream public equity investors. By creating a standing buyer for operating assets, developers were able to exit faster, often within one to two months after commercial operation date. Additionally, in 2015, industry experts indicated that unleveraged after-tax discount rates had decreased from 7-8% to c.6% for solar assets, implying higher valuations for operating renewable assets (Martin, 2015).

More clean power, lower costs, and more jobs

YieldCos supported faster clean energy deployment and affordability: U.S. utility-scale solar installations rose from c.3.4 GW in 2012 to c.7.3 GW in 2015, while lower equity hurdles reduced energy costs for end consumers. Higher build rates also created jobs – SunEdison's c.0.5 GW uplift likely created 16,500-19,500 construction job-years.

⁹ When a sponsor sells a completed, cash-flowing asset into the YieldCo

Figure 3. Solar Installations and Number of YieldCos in the U.S. (SEIA, 2016)



YIELDCos IN EMDEs: REVEGO SHOWING EARLY SIGNS OF SUCCESS IN SOUTH AFRICA DESPITE LISTING CHALLENGES

Revego is a YieldCo focused on acquiring operating renewable energy assets in Sub-Saharan Africa. Managed by Revego Fund Managers, the vehicle launched in 2021 with cornerstone investment from Investec Bank Limited, UK Climate Investments (now part of BII), and the Eskom Pension and Provident Fund to address the lack of secondary market exits for developers and early investors.

Revego's portfolio includes equity stakes in solar parks as well as wind and solar assets acquired since 2021. As of 2025, it holds interests in ten operating projects with an installed capacity of over 800 MW. Its pipeline is concentrated in South Africa, where programmatic procurement under the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) has standardised contracts and created predictable deal flow. In 2021, Revego obtained approval to list on the Johannesburg Stock Exchange, with a ticker allocated. The IPO was deferred due to limited scale and investor understanding, and the fund has since remained private while focusing on scaling AUM. The YieldCo structure has demonstrated capital recycling. In its current ZAR1 billion (c.USD 57.8 million) capital raise, Revego is partnering with a DFI and an institutional investor to acquire a portfolio of five wind farms from a developer. Sale proceeds are expected to fund that developer's new project pipeline, showing how secondary vehicles can channel equity back into greenfield projects.

To accelerate scaling and shorten fundraising cycles, DFIs can support vehicles like Revego through co-investments, crowding in institutional investors, offering first-loss or liquidity instruments, and engaging in investor education.

3.2.3 Real Estate Investment Trusts (REITs)

For additional context, please see **Case Study: Real Estate Investment Trusts (REITs) in Mexico**

REITs, companies or trusts (depending on the jurisdiction) that own, operate, or finance income-generating real estate, were first created in the U.S. in 1960 to allow ordinary investors to access these pooled assets. Over time, other countries adopted their own versions, often motivated by a desire to deepen domestic capital markets, attract long-term investors, and formalise real estate finance. By the early 2000s, many countries had launched REIT regimes, including the Netherlands (1969), Australia (1971), Canada (1993), Malaysia (1989), Singapore (1999), and Greece (1999). India's REIT regime launched in 2014, with its first listing in 2019 while China launched its framework in 2021. In Africa, Ghana was the first to implement a REIT framework in 1994; however, the market remained limited until a dedicated REIT regulatory framework was introduced in 2019. Nigeria (2007), South Africa (2013), and Kenya (2015) followed. According to Nareit, a U.S. based global REIT association, more than 40 countries have adopted REITs with over 1,000 listed vehicles.¹⁰ REIT markets have developed more effectively in markets that have access to a larger and more active institutional investor base, clear legal and regulatory frameworks that are simple and cost effective, and liquidity in their public markets to offer investors a route to exit.

MEXICO'S FIBRAS: SIGNIFICANT MARKET GROWTH DRIVEN BY PROPERTY BOOM AND TARGETED STAKEHOLDER ACTION

FIBRAS (Fideicomiso de Inversión en Bienes Raíces), Mexico's REITs, are irrevocable trusts

that hold (and sometimes develop) income generating real estate and issue CBFi units (Certificado Bursátil Fiduciario Inmobiliario) on a public exchange. Sponsors, typically the project developer, seed initial portfolios and retain meaningful minority stakes. FIBRAS grow via purchases from the sponsor (supported by rights of first offer) and third-party acquisitions. The structure mirrors international REIT regimes to attract international investment. By converting illiquid properties into tradable securities, FIBRAS mobilise institutional and retail capital while offering clear exit routes to developers.

Launched in 2011 following significant growth in the real estate market in the 2000s, the market has grown to 16 listed vehicles with over USD 50 billion of investment properties, spanning industrial, retail, office, hospitality, and specialised segments (education, agribusiness, telecom towers, self-storage).

Market development was driven by a series of targeted actions: FIBRAS were developed as exempt from corporate income tax if payouts remain high (95% of taxable income), pension fund (AFORE) regulations were changed to allow investment into FIBRAS, an active industry body (AMEFIBRA) was created to standardise practices, robust disclosure rules were put in place to ensure transparency, and CBFi trading was structured to be tax neutral for investors, attracting foreign financing. Additionally, the S&P/BMV FIBRAS Index was created to provide investors with diversified exposure.

Outcomes

Deeper capital markets and lower financing costs

FIBRAS broadened Mexico's real estate investor base and increased liquidity: AFORES grew to represent over 40% of shareholders,

¹⁰ Many markets also allow public unlisted REITs and private REITs, which are not included in this figure

with insurers, foreign institutions and retail investors (via the S&P/BMV FIBRAS ETF) adding depth. Since FIBRAS are peso-denominated vehicles, local investors are not directly exposed to exchange rate risk, and with a large share of leases indexed to inflation, real rental income (and therefore investor yields) is protected.

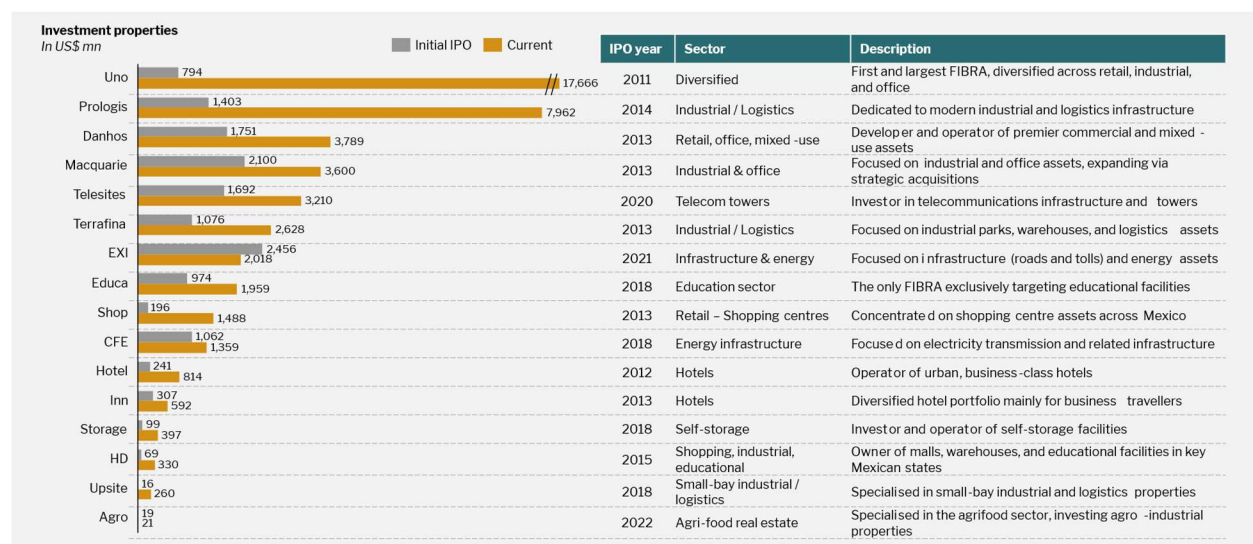
Listed status enabled rapid follow-on offerings and access to bond markets: nine FIBRAS placed 24 bonds for USD 4.4 billion and five issued c.USD 2.1 billion in ESG bonds, reducing costs and accelerating execution. For example, Terrafina's 2019 USD 500 million 10-year bond priced at a 4.962% coupon (modestly above Mexico's 2029 USD sovereign with 4.50% coupon) was 4.5x oversubscribed; IFC's USD 150 million sustainability-linked loan to FIBRA Macquarie illustrated DFI's potential role in these markets. Lower financing costs improved expected returns, making sales to FIBRAS more attractive and accelerating

primary market capital recycling. However, USD debt backed by peso rents remains a structural FX risk.

Scaled SDG-aligned assets and job creation

FIBRAS now include over 2,200 properties and USD 50 billion in assets, with AMEFIBRA estimating c.5 million direct and indirect jobs across construction, operations, and supply chains. FIBRAS underpin industrialisation and connectivity, supporting nearshoring¹¹, managing telecom towers, channelling capital to transmission lines, and upgrading agri-food infrastructure. FIBRAS manage 8 million m² of LEED/EDGE-certified properties, led by FUNO with c.40% of Mexico's LEED-certified space and the world's largest EDGE-certified portfolio. Socially, FIBRA EDUCA operates over 30 educational properties and learning centres across 20 states, with direct benefits such as over 800 scholarships in 2023.

Figure 4: FIBRA's Investment Properties Across Sectors



¹¹ The relocation of manufacturing and supply chains closer to end markets

acorn REITS IN KENYA: ACORN'S DUAL-REIT MODEL UNLOCKS CAPITAL FOR STUDENT HOUSING WHILE MANAGING RISK

The Acorn REITs in Kenya provide a case study on adapting this structure to the African context. Acorn, an affordable student housing developer and operator, launched an income REIT (I-REIT) and a development REIT (D-REIT) in 2021. The D-REIT funds property development from construction through initial marketing. Once occupancy stabilises, properties are sold on a commercial arms-length basis to the I-REIT. With its higher development risk, the D-REIT offers higher returns from profits of these sales, while the I-REIT provides stable dividends from rental income and long-term capital appreciation.

Acorn's REITs are on the Nairobi Stock Exchange's Unquoted Securities Platform, which provides many of the benefits of the main public market (e.g. wider institutional investor access, regulatory rigour, transparency requirements) but without the price volatility and discounts that often occur in illiquid markets. Buyers and sellers agree on trades based on NAV, which is published every six months, rather than fluctuating market prices. Full trade volume and comprehensive price history are not clearly available in the same way as main market listed shares.

To access a growing middle class with appetite for investment, Acorn developed Vuka, a retail investment platform, developed in a Capital Markets Authority sandbox, which pools contributions to purchase REIT units. Initially limited to the I-REIT as a more stable and consistent offering, Vuka now offers a blended product combining the growth of the D-REIT and the stable income of the I-REIT. The platform provides windows when trades take place directly between users at NAV, with Acorn acting as a market maker to provide additional liquidity.

The adapted REIT structure has successfully raised capital for Acorn in the local markets. However, as a pioneer, Acorn bore high costs working closely with stakeholders to deliver necessary regulatory and listing reforms. Technical assistance funding for this type of pioneering work could support growth of similar structures in other markets.

3.2.4 Enabling conditions and thresholds for infrastructure and real estate secondary vehicles



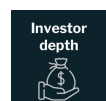
A steady pipeline of investable assets. In India, InvITs benefitted from a stock of operational toll roads

and energy assets, with regulations requiring 80% of holdings to be operational. Mexico's FIBRAs drew on a substantial post-boom inventory of illiquid real estate from the mid-2000s, enabling capital recycling. More recently, nearshoring has lifted industrial demand in Latin America, creating a larger asset pipeline for secondary vehicles.

Consistent asset supply allows listed vehicles to reach sufficient scale to qualify for inclusion in major indices (c.USD 100 to 300 million free float) and attract passive tracker inflows, which together help to deepen liquidity and increase investor appeal. Vehicles must also be able to meet return expectations: for public investments, institutional investors commonly target returns priced a few basis points above relevant benchmarks (e.g. Sovereign or Eurobond yields, depending on currency and maturity) while for private investments, required returns are much higher (e.g. in South Africa, investors in private markets expect IRRs of c.12-14%).

Example of non-performing secondary markets

In Egypt, although REIT regulations have been in place for years, much of Egyptian real estate is held by state developers and large real estate investors, meaning there is a limited supply of investable assets for Egyptian REITs (Sayigh, 2023). Secondary vehicles can struggle to scale in markets dominated by a few actors where there is an inherent lack of transparency and a limited supply of investable assets.



Presence of domestic institutional anchors. These anchors lower transaction risk and increase liquidity, which reduces volatility and, ultimately, lowers the cost of capital. In Mexico, FIBRAs relied on pension funds (AFOREs), which held around 40% of units, while index inclusion attracted foreign institutions and supported ETFs.



Credible regulation and policy design. SEBI's requirements on transparency and mandatory 90% distribution attracted investors to InvITs. In Mexico, tax exemptions and amended pension fund rules allowed AFOREs to invest, while alignment with international regulations made it easier for international investors to enter.



Strong governance requirements and stable listing environments. In YieldCos in the U.S., poor governance impacted the reputation of YieldCos and increased their perceived risk, deterring investors from participating.

Weak listing environments also influence the viability and timing of secondary transactions. Investor appetite for listed infrastructure vehicles (even in developed markets) has contracted during volatile periods. In EMDEs, IPOs and secondary issuances are only viable during periods of macroeconomic stability because domestic exchanges are small with limited liquidity.



Stable macroeconomic environment. Credible and sustainable fiscal and monetary policies together with predictable political environments provide the foundations for secondary vehicles to thrive. In India, for example, steady macro management and clear, consistent SEBI rules have enabled InvITs to list, attract institutional capital, and recycle funding at scale. Interest rate movements can have a significant impact on equity-like platforms, where higher interest rates lift required yields and compress valuations, impacting the attractiveness of the vehicles.

Example of non-performing secondary markets

In Turkey, while several factors contributed to the reduced valuation of REITs in 2022, which traded at a price to earnings ratio of 3.8x vs. a 10-year average of 6.8x, macroeconomic factors added pressure. Inflation was above 85% and the lira was volatile. Although real estate assets initially appeared to hedge inflation in lira terms, currency depreciation pushed USD rents down by an estimated 3-9% across major cities, eroding REIT returns. This volatility inhibited the development of the Turkish REIT market in this period.

3.3 LESSONS AND IMPLICATIONS FOR DEVELOPMENT ACTORS

Evidence from case studies, cross-market comparisons, and practitioner interviews highlight lessons that can be applied in other EMDEs:

Successful vehicles depend on sequencing of enabling conditions. Mexico's REITs scaled to USD 50 billion after clear tax rules, pension eligibility, and indices and ETFs were established. India's InvITs grew from two in 2016 to more than two dozen vehicles with USD 70+ billion AUM under clear regulation, a pipeline of assets, and broad investor participation. U.S. YieldCos began with renewables but showed applicability to contracted assets such as gas, water utilities, transmission, and more recently data centres.

Government-enabled asset monetisation is necessary to sustain pipelines and enable capital recycling. Recycling depends on a reliable pipeline of assets. For example, InvITs can enable a develop-monetise-reinvest cycle, as shown by EnerGrid and IndiGrid where projects are transferred under pre-agreed terms at commissioning to recycle capital. Where assets are state owned (as in many EMDES), governments must enable their monetisation, which DFIs and other development actors could encourage by supporting feasibility studies, and asset aggregation vehicles. Where viable pipelines already exist (e.g. India, South Africa), DFIs can back platforms that pre-sell assets at commercial operation to accelerate recycling.

Aggregation of portfolios is necessary to create scale. REITs require aggregation of fragmented, transparent assets to create investable portfolios. YieldCo-like structures depend on a predictable pipeline of asset transfers ("dropdowns") from sponsors into the

vehicle, backed by clear contractual rights to make those transfers when planned. Aggregation is challenging in most African markets because assets are smaller, more fragmented, and often lack standardised reporting. As a result, few markets have enough deal flow for listed vehicles. DFIs could explore the feasibility of regional or pan-African structures.

Simplified structures, clear tax frameworks, and proactive regulation are essential to reduce friction and build investor confidence.

In developed markets, YieldCos were structured as straightforward corporations, while infrastructure vehicles in EMDEs often sit within more complex trust-based structures with multiple intermediaries (e.g. Kenyan REITs with a trustee, manager, custodian, valuer, and registrar). This can result in recurring fees and reduced net distributable income. However, the experience of Indian InvITs shows that complexity in legal form is not necessarily the binding constraint. InvITs are also trust-based structures, but they only scaled once SEBI introduced detailed and predictable rules on payouts, leverage, related-party transactions, eligible assets and valuations, providing sufficient clarity and investor protection to offset structural frictions. Development actors can support regulators to clarify tax treatment and strengthen governance rules aligned with regulatory gaps in each market

Liquidity is constrained by thin turnover, weak benchmarks, and discount volatility. YieldCos in EMDEs trade infrequently compared to developed markets, and REITs that are not included in indices or ETFs see lower participation. Liquidity can be improved when regulators and exchanges streamline settlement processes, support index creation, and enable ETFs.

Simplified channels, lower thresholds, and strong governance can mobilise institutional and retail capital for infrastructure projects.

Vehicles can mobilise both institutional and retail investors where regulation allows access. In India, InvITs broadened beyond institutions by lowering minimum thresholds and mandating public listings. REITs in Mexico mobilised pensions and retail investors once frameworks and benchmarks were established.

Where relevant, vehicles should integrate FX risk management upfront to ensure predictable distributions.

The vehicles outlined here are primarily local currency instruments, typically backed by local currency revenues, which reduces FX risk for local investors. However, where vehicles seek foreign investment, currency volatility can undermine stable hard currency distributions, as unhedged FX exposure on dividends or debt service can erode yields. Initiatives such as TCX's long-tenor hedging facilities or the IDB/Brazil FX pilot show possible solutions, but affordable hedging is scarce in Africa. Other potential solutions include local bank products, natural hedges, and revenues indexed to hard currencies.

Vehicle design should be matched to macro conditions and investor tolerance; in emerging markets, structures must be resilient to rate volatility and wider macro unpredictability.

YieldCo-like strategies were most attractive during low interest-rate periods (e.g. 2013-2015 in the U.S.). In today's high-rate environment, public vehicles often trade at discounts to NAV because share prices move with daily sentiment while NAVs are only adjusted periodically, limiting their ability to raise capital. By contrast, private YieldCo-like structures can raise closer to NAV by avoiding daily mark-to-market volatility. Acorn's REITs in Kenya use the Nairobi Securities Exchange's Unquoted Securities Platform to avoid daily

volatility while maintaining regulated disclosure, showing that private or unlisted structures can be a practical pathway where public markets are thin or volatile. In higher-volatility settings, ensuring cash flow currency is aligned with investor needs, taking on conservative amounts of debt, ensuring payout ratios are flexible, and holding liquidity reserves can also be helpful.

4 Secondary vehicles in private equity

4.1 MARKET OVERVIEW

In EMDEs, private equity funds typically function as limited partnerships. General Partners (GPs) raise capital from investors (such as DFIs, pensions, insurers, family offices, and sovereigns) known as Limited Partners (LPs). GPs are responsible for sourcing and managing investments, while LPs provide capital but do not take part in investment decisions. In return, GPs receive a management fee (typically based on committed or deployed capital) and a share of profits (carried interest) once agreed performance targets are met. The capital raised is invested in unlisted businesses through venture, growth, and buyout deals with returns generated through exits through trade sales, sales to other financial sponsors, or IPOs over the fund's holding period.

In practice, several structural challenges impact primary PE markets in EMDEs, particularly in Africa and South Asia. These include limited exit options (due to the small number of strategic buyers, limited number of funds with mandates to buy out existing investors, and thin public equity markets making IPOs challenging) and higher perceived risk that reduces new capital inflows. The illiquid exit environment (together with broader market fundamentals such as slower value creation and local shocks) in turn leads to longer holding periods. Early funds were structured with developed market expectations (e.g. 5-7-year holding periods) without fully accounting for these local market realities.

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.¹² 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. Low transparency and inconsistent valuation practices also make it difficult for investors to assess performance or compare funds in these markets.

Reliable market data in EMDEs is generally scarce, making it difficult for investors to assess performance or benchmark valuations. Although data sources exist, reporting by investors is inconsistent and details are often limited, which reduces credible reference points the market can leverage for pricing. As a result, valuations are often based on internal models with GP-reported NAVs often sitting above prices investors would be willing to pay. With a small, DFI-heavy LP base and scepticism in valuations, capital remains tied up in tail-end¹³ or zombie funds.

Secondary market mechanisms can address these frictions that can unlock trapped capital, improve price discovery and recycle equity into new primary investments. Private market secondaries involve the purchase and sale of existing fund interests, where buyers assume the seller's remaining capital commitments and rights in the fund. In addition to fund-level transactions, exits of individual assets (i.e.

¹² 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

¹³ Tail-end funds are funds which are nearing the end of their lifecycle with only a few remaining assets, typically operational but slow to exit, unlike zombie funds which are characterised by prolonged underperformance and stalled exits

where an investor acquires another investor's share of a company or project) are also secondary deals which provide liquidity for the fund. Depending on the fund strategy, this may lead to liquidity for LPs through earlier distributions to paid-in capital (DPI). There is a need for more funds that can buyout existing investors to increase the overall flow of capital.

“Primary market development happens because of secondary market development. You need something that allows investors to exit or it just doesn’t work”

The following case studies provide details on the secondaries market globally and outline how markets are developing in Latin America, India, and Africa. This is followed by a brief case study on the opportunity for listed vehicles that acquire underlying assets from PE funds.

4.2 CASE STUDIES

4.2.1 Unlisted private equity secondaries

For additional context, please see **Case Study: Private Market Secondaries**

Globally, secondaries markets are growing significantly. Transaction value nearly doubled between 2019 and 2024 and was up over 50% in the first half of 2025 (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 (Preqin, 2025). Most activity is concentrated in developed markets – e.g. 96% of GP-led transaction deal value was

concentrated in North America and Europe between 2024 and mid-2025 (Global Private Capital Association, 2025).

Activity has historically been concentrated on LP-led transactions where LPs initiate transactions to sell their fund stakes to secondary buyers to raise liquidity, rebalance exposures, and/or meet regulatory requirements. These transactions may take the form of traditional secondaries sales, partial sales, structured sales, or securitised portfolios. Within LP-led transactions, this report focuses on traditional secondaries sales – the outright or partial sale of an LP's existing interest in a fund to a secondary buyer – which are most relevant to this analysis. The other structures are described in the Glossary for additional context. In North America and Europe, the development of dedicated secondaries funds provided the capital base that allowed this market to grow.

More recently, GP-led transactions have grown in importance – in 2024, GP-led deals accounted for USD 72 billion, or 48% of the overall secondaries market (BlackRock, 2025). These deals are initiated by GPs to extend or restructure exposure to existing assets. The main structures include continuation funds (both single-asset and multi-asset), preferred equity solutions, strip sales of partial portfolios, and tender offers. Continuation funds are the most relevant to this analysis – they allow selected, higher-quality assets from a legacy fund to be transferred into a new vehicle managed by the same GP with an extended duration.¹⁴ The other structures are described in the Glossary for additional context.

Continuation funds introduce governance and incentive challenges because the GP is conflicted between the legacy fund and the

¹⁴ Although zombie funds might have some high-quality assets, continuation funds are likely less appropriate because they are managed by the same GP and GPs of zombie funds are typically underperforming. Zombie funds have a range of potential solutions, often involving active LP ownership to drive and incentivise exits or liquidation, which can be supported by specialist intermediaries.

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. 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, to manage conflicts around valuation and information. 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).

Alongside these structures, NAV financing has developed as a parallel tool, with loans secured against a portfolio's NAV to give managers or investors additional liquidity. However, these tools are largely nascent (particularly in Africa), and market participants view them as risky and potentially extracting value rather than creating it.

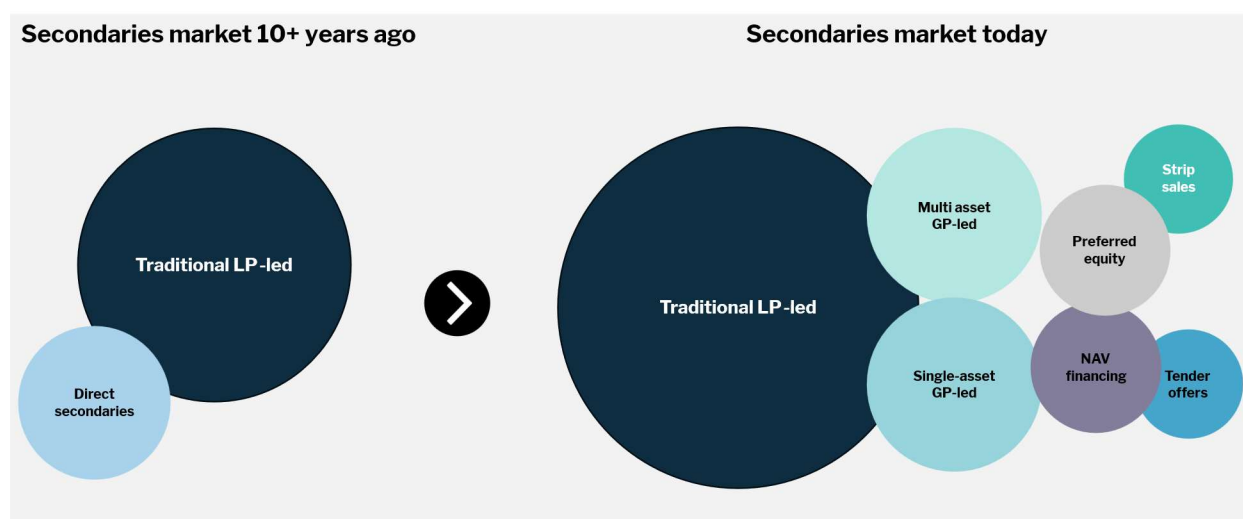
Secondaries activity includes multiple underlying fund strategies such as buyout funds, growth equity, venture capital,

infrastructure, private credit, and real estate – all making use of secondaries to provide liquidity or extend ownership periods.

“A liquid LP market would prove to corporates and private actors that emerging markets are investible even for a shorter period of time, which would increase volumes of LP commitments significantly”

The secondaries market addresses the illiquidity of private funds by creating options for existing LPs to exit. For these LPs, it provides a way to raise cash, adjust allocations, or take advantage of pricing conditions before a fund's long duration ends. For buyers, secondary investments provide exposure to portfolios that are already substantially funded, which lowers blind pool risk and gives clearer visibility into both underlying holdings and manager performance. Because the portfolios are further along in their lifecycle, the pace of distributions is accelerated (Hamilton Lane, n.d.).

Figure 5. Global Secondaries Market Evolution (Coller Capital, 2024)



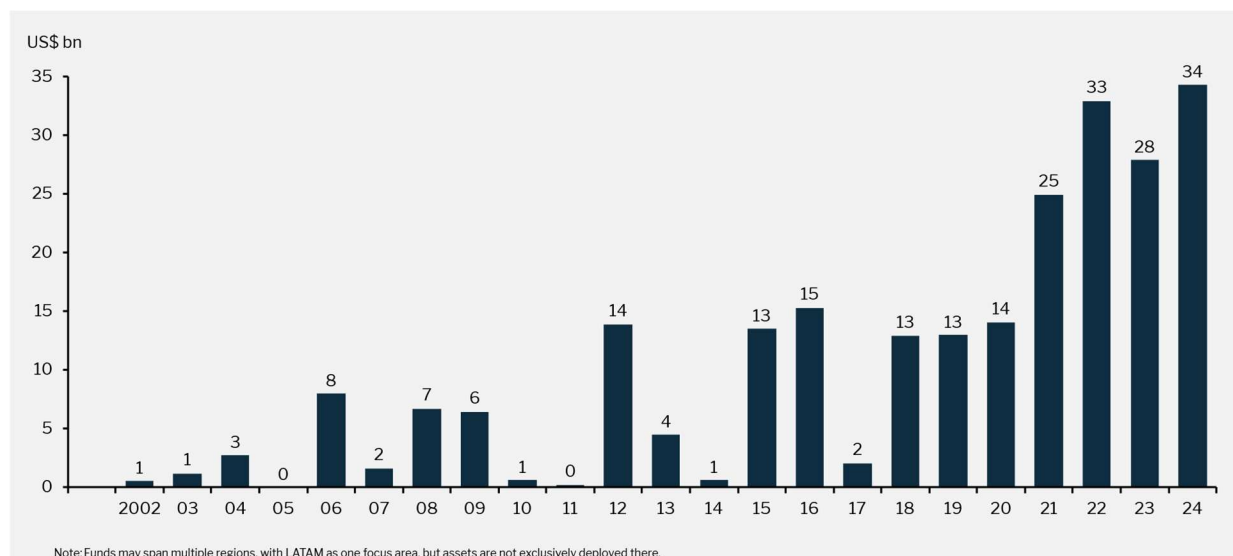
FOCUS ON LATAM: SUPPORTIVE REGULATION AND GLOBAL INVESTOR ENTRY FUELLED GROWTH

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 Brazil in the mid-2010s, regulatory changes and a weaker economy prompted 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).

Figure 6. Funds Raised by Vehicles with Secondaries Strategies with LATAM as Focus Region (Private Equity International database, n.d.)



SPECTRA IN BRAZIL: BRAZIL'S MODERNIZED RULES AND PENSION-LED SALES FUEL SPECTRA'S LATAM SECONDARIES PLATFORM

Spectra Investments is a São Paulo-based alternatives manager with an AUM of c.USD 1.3 billion across primaries, co-investments, and secondaries, positioning itself as a leading liquidity provider in Latin America. The platform's focus has shifted towards secondaries transactions, where the latest Fund VI (2024, USD 330 million) increased dedicated secondaries capital to 45% of commitments, explicitly responding to tighter domestic liquidity and higher capital costs.

A supportive rulebook has been important for the growth of secondaries in Brazil. Brazil's PE vehicles (FIPs) are regulated through CVM Resolution 175 (2023), which consolidated fragmented rules into a unified framework. These regulations have been strengthened by ANBIMA's (Brazilian Financial and Capital Markets Association) self-regulation which reinforced transparency, standardisation, and transferability of investor shares. Spectra has

also repeatedly been the counterparty to pension funds' divestments of FIP stakes – e.g. Petros (c.USD 34 million in 2019 and c.USD 16 million in 2021) and Previ (c.USD 30 million in 2022). Underlying exposures have often favoured real economy assets, including infrastructure, energy, logistics/ports, real assets, and multi-sector PE.

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.

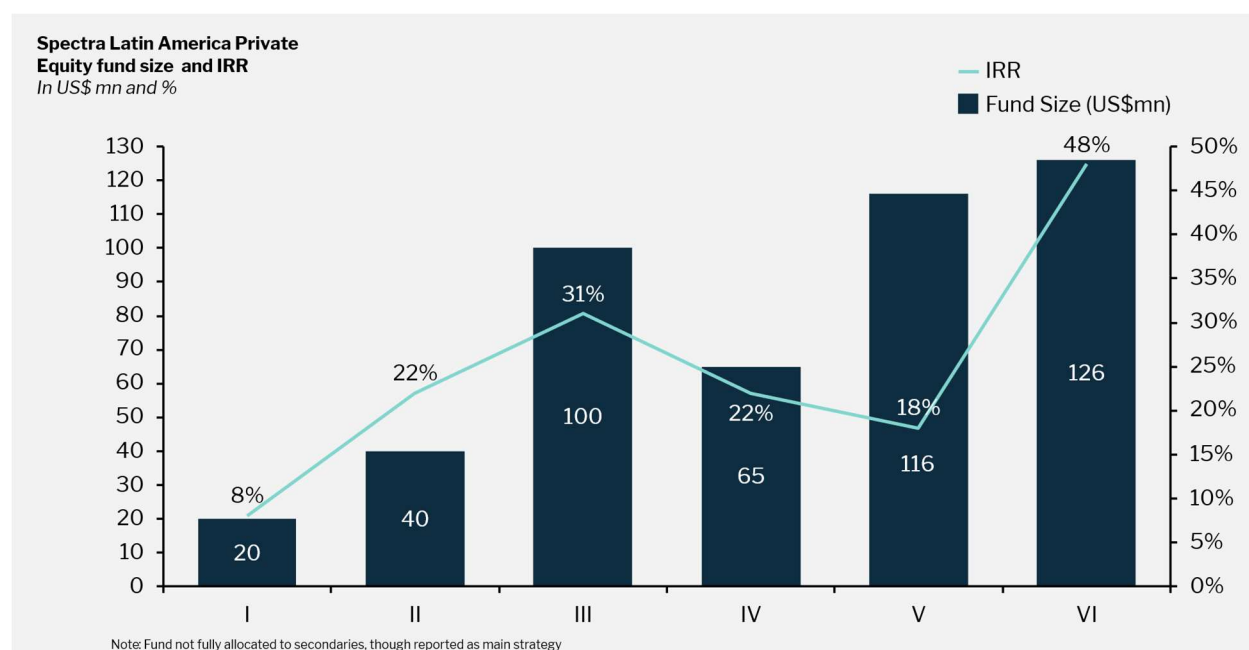
Today the market is materially deeper and more sophisticated, with both LP- and GP-led transactions closing each year. Global secondaries investors (Collier Capital, HarbourVest Partners, Pantheon, LGT Capital Partners, TPG NewQuest, Hamilton Lane, Lexington Partners, Ardian, TR Capital and others) are active across India-focused portfolios. This increased participation has normalised secondaries as a regular mechanism for liquidity for Indian PE managers.

For example, 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. 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. It was the largest GP-led transaction completed in India, creating a precedent for other managers in the region (Le, 2024).

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.

Figure 7. Spectra Latin America PE Fund Size and IRR (Private Equity International database, n.d.)



STRATFORD HOUSE: CATALYSING TAIL-END LIQUIDITY THROUGH ADVISORY AND LOCAL FUNDRAISING

Stratford House, founded in 2021, is a PE secondaries specialist focused on tail-end funds 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's aim to help expand the buyer base for tail-end

secondaries, is complementarily positioned alongside the advisory work (a critical part of Stratford House's credibility) and fulfils a market need.

Further support is needed in the market to signal that there is opportunity. DFIs and development actors can help expand the market by being willing sellers, considering participation in buy-side vehicles, and supporting intermediaries providing advisory services for these portfolios.

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 Goodwell 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.

In addition to the structural constraints impacting private funds in primary markets outlined in the overview, insights from market participants highlight several frictions that limit secondaries development across Africa.¹⁵ Domestic pensions and insurers are marginal

¹⁵ While these issues largely impact Africa, several also mirror broader challenges across other emerging markets

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 for GPs that do not intend to or cannot (e.g. zombie funds) raise follow on funds. 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 deploying capital 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 where 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 (third party valuations, competitive processes).



OCTOBRE: GUARANTEE-BACKED LIQUIDITY FACILITY BRIDGES LONG-TERM IMPACT FUNDS AND PRIVATE CAPITAL

Octobre 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 any price adjustment paid within 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.

Outcomes

Earlier liquidity to LPs, broader investor participation

Secondaries can improve primary market functioning by offering LPs earlier liquidity, smoothing J-curves, and enabling capital recycling, features that are especially valuable where exits are scarce. Earlier liquidity, in turn, could allow GPs to begin raising new funds sooner, supporting continuity in market activity. They could also attract a diverse group

of investors (such as pensions and family offices) by offering exposure to mature portfolios (as seen in LATAM with Spectra’s funds).

Capital recycling, streamlined portfolio reallocation

Secondaries transactions in Brazil support capital recycling into new investments across infrastructure, energy, transport and logistics, agribusiness, and other sustainability-linked

projects. Pension-led FIP divestments free balance sheets and sustain pipelines. The result is continued capex and employment, improved logistics efficiency and energy reliability, and a deeper capital market that can lower funding costs over time.

4.2.2 Listed vehicles for private equity assets

*For additional context, please see **Case Study: Developed Market Listed Investment Trusts***

While most private equity assets remain in unlisted vehicles, there are also opportunities to list vehicles which buy underlying PE assets. UK investment trusts, also called investment companies and structured as public limited companies, pool capital from institutional and retail investors into closed-end listed structures. The market includes trusts focused on private equity and on venture capital, which account for c.18% and c.2% of total UK investment trust AUM respectively (AIC, n.d.). Trusts focused on PE have a range of strategies including fund-of-funds and direct investments, often buyouts where the trust focuses on long-term growth through value creation. They are typically more focused on capital appreciation than yields, but many pay dividends from realised profits upon exits.

Although this can be a powerful structure for attracting different capital pools into private equity, there are many challenges in the UK investment trust landscape, including widening discounts¹⁶ which reinforce the need for continued evolution. The UK model offers transferable lessons: in some EMDEs, similar vehicles which allow for a broad range of underlying assets could be replicated as markets mature. Where regulation, liquidity, and/or the investor base are not yet conducive to listed trusts, listing EMDE-focused funds in

developed markets (e.g. the UK) can act as a bridge, mobilising foreign capital into otherwise illiquid EMDE assets.

Listed structures are being explored in some EMDEs. For example, FSD Africa is working to launch a USD 200 million listed fund in Ghana which will focus on buying SMEs in West Africa from PE/VC funds looking to exit. These SMEs have been derisked because they are more mature companies and they have had to meet governance and reporting requirements from previous PE owners. With this lower risk and more transparent pool as well as the regulatory oversight as a listed vehicle, the fund is expecting interest from local institutional investors, broadening the investor pool beyond the typical LPs in Africa. However, there are still hurdles to bringing this to market (e.g. addressing all potential barriers for local institutional investors, identifying the most effective legal structure) and the structure is yet to be proven.

VIETNAM OPPORTUNITY FUND: GROWING PRIVATE BUSINESSES FOR FUTURE LISTINGS

Vietnam Opportunity Fund (VOF) is a Vietnam-focused UK investment trust that has invested in 200+ companies, typically holding private equity stakes for three to five years before taking companies public via IPO or selling via trade sales to return profits and proceeds to shareholders (VinaCapital, n.d.). VOF manages c.USD 1.2 billion (up from USD 10 million at inception), is a FTSE-250 constituent listed on the LSE, and has delivered c.12% annualised returns over 22 years. Although its portfolio now consists of c.80% listed equities, a significant share is from pre-IPO investments that later listed. As a long-term, active investor, the fund's objective is to develop and support Vietnam's long-term structural growth.

¹⁶ Driven by broader UK market factors (e.g. higher interest rates attracting investment to lower risk bonds and cash, public market sentiment), challenges in the trust market (e.g. pressure from lower fee index-tracking funds, cost disclosure requirements), and trust-specific factors (e.g. sub-scale trusts, focus on less liquid PE assets, governance challenge)

Vietnam lacks a broad, UK-style closed-end trust market. Post-2011 policy changes, many local closed-end funds shut down or converted to open ended structures. While the number of funds has increased by c.57% from 2021-2024, AUM has declined by c.11% in the same period (Thuan, 2024). The market is further challenged by a shallow domestic institutional buyer base – public pension funds, the largest part of this group managing c.USD 46 billion in assets, are not permitted to invest in private or listed equities. Additionally, there are caps on foreign ownership which narrows the investable pool, distorting price discovery and adding to valuation uncertainty. In this context, UK-listed investment trusts such as VOF offer an alternative route for foreign investors, pooling capital in London while specialist managers navigate foreign ownership limits in Vietnam. This model could, in principle, be replicated by other UK investments trusts in similarly constrained markets.

Outcomes

Listing-led liquidity and price discovery

Closed-end investment trusts provide permanent, non-redeemable capital, avoiding forced sales and supporting illiquid assets through full cycles. Listing, particularly on mature exchanges like the LSE and with USD dealing lines to remove frictions for global investors, broadens the investor base, providing access to foreign investors that would otherwise face EMDE rules and practical hurdles to direct investments. It also allows for improved price discovery, increased trading liquidity, and orderly exit routes for sellers (e.g. selling LP stakes or fund assets) that can recycle capital into new investments.

Recycling capital into jobs and essential services

By directing long-term, non-redeemable capital to emerging market businesses and infrastructure, these trusts fund expansion capex, hiring, and supplier spend; strengthen logistics and digital connectivity; and support healthcare and clean energy build-out.

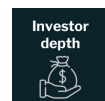
4.2.3 Enabling conditions and thresholds for private equity secondaries

The development of private secondaries markets depends on a combination of factors, including investor depth, regulatory readiness, and established intermediaries that specialise in secondary strategies. Countries where these elements align, such as Brazil, have seen sustained growth in secondary activity and entry by international investors.



A stable pipeline of funds with established track records.

Secondaries add value when underlying portfolios are large enough to transact at institutional scale and when assets are mature enough for price discovery. In Latin America, activity only began to expand once primary fundraising had scaled through the 2010s, creating a pipeline of maturing portfolios. In Brazil, pensions such as Petros and Previ have been active sellers of private equity interests, providing reliable supply and helping to establish pricing benchmarks.



Strong base of domestic investors that can invest in private markets.

Spectra Investments' latest fund (Fund VI, 2024) drew roughly 75% of commitments from Brazilian families, 15% from local pension funds, and 10% from international investors. In India, ChrysCapital's continuation fund also shows how credible anchor investors can strengthen investor confidence. In most countries in Africa,

domestic pensions remain largely absent from the alternatives market more broadly – allocations to PE funds are far below regulatory caps transactions (e.g. Kenya c.0.4% vs 10% (RBA, 2024), Ghana c.1% vs 25% (KPMG, 2025), Nigeria c.0.7% vs 5% (PenCom, 2025)). Because domestic government bonds often offer high yields and attract no capital charges, they are more attractive on a risk-adjusted basis than illiquid alternatives, despite regulatory room to allocate more. Regulatory caps on investments in other countries also create a challenge as most African funds operate regionally.



Access to mature listing venues for EMDE assets. Where domestic exchanges are shallow, the ability to list EMDE-focused funds on developed market exchanges is an important bridge. Access to established venues with deeper liquidity and diversified investor bases enables capital mobilisation for EMDE portfolios while local frameworks mature.



Scalable functional listed fund frameworks. For listed private equity vehicles to work effectively, markets need frameworks that permit closed-ended structures with sufficient scale and tradable float. The Vietnam Opportunity Fund shows that listings can attract long-term capital for illiquid assets when minimum size thresholds (around USD 100-300 million) are met and mechanisms to manage share price discounts are in place. Without these features, discounts to NAV can widen and discourage new fundraising.



Presence of specialist intermediaries and secondaries fund managers. In Latin America, local platforms such as Spectra Investments and Patria Investments have developed dedicated secondaries strategies, acting as recurring buyers in pension-led transactions and helping to establish credible price

references in the market. In South Asia, Stratford House works with small GP teams to manage tail-end portfolios and facilitate exits. Local intermediaries are particularly important as interviewees indicate that global secondaries intermediaries rarely work on transactions below USD 200 million, often forcing sub-scale EMDE deals to default to bilateral processes with higher friction and slower cycles.



Price transparency and disclosure.

Secondary market activity depends on investors having visibility into what is being bought and sold and at what price. Interview insights highlight that limited disclosure of deal terms and pricing data in many EMDE markets keeps participation low, as investors cannot easily assess or compare transactions.



Clear, transparent fund rules. In Brazil, improved oversight of PE funds through CVM Resolution 175 (2023) and ANBIMA's self-regulation strengthened disclosure and transferability, allowing pension funds to divest more efficiently. These rules reduce pricing friction and help bridge gaps between local sellers and international buyers.

4.3 LESSONS AND IMPLICATIONS FOR DEVELOPMENT ACTORS

Experience across markets as well as insights from market participants shows that secondary vehicles for private equity can unlock trapped capital but replication in EMDEs requires DFI mandates which support engagement on both the buy and sell sides as well as realistic valuation and transparent governance frameworks.

DFI mandates shape whether secondary markets can form: Some of current DFI frameworks prioritise primary deployment over market creation, viewing impact at least partially through a direct use of proceeds lens.

This limits their ability to participate in secondaries markets to a focus on portfolio management rather than secondary market development.

Participation on both sides of the market is important to catalyse market creation:

Engaging directly in both capacities i.e. selling legacy stakes to free up balance sheets and committing capital to secondary vehicles would send market signals and crowd in new investors. BII's 2024 transaction with Blue Earth Capital is an example of how visible participation from development actors can legitimise the strategy and expand the buyer universe. DFIs could identify segments where selective sales or anchor commitments would provide early proof points, particularly in Africa where DFI presence can provide confidence to risk averse domestic institutions.

DFIs likely need to realise some losses to unlock liquidity:

Limited willingness to accept discounts (where justified) reduces liquidity and prevents secondary transactions from closing. Many DFIs and GPs continue to reference internal NAVs that sit above what buyers are willing to pay. In practice, this behaviour reinforces illiquidity, as transactions remain on hold and credible price references fail to develop.

Limited acceptance of liquidation keeps capital trapped in older funds and hinders new investment:

Many EMDE funds, particularly in Africa and South Asia, continue to hold mixed quality assets well beyond their intended lifecycles (including in zombie funds). Weak exit markets and limited incentives for fund managers to wind down portfolios contribute to this, but so does perception. Liquidation often requires crystallising losses, discouraging managers from closing funds and returning capital to investors. This delay carries an opportunity cost, as LP capital remains tied up in underperforming assets instead of being redeployed into investments

with stronger prospects. DFIs could support timely fund wind-downs, including recognising losses where appropriate, so capital can be recycled into higher-value opportunities.

Support is required to increase participation from and build depth in local investors:

Large pools of pension capital anchored secondaries markets in OECD countries and Latin. As mentioned, domestic institutional allocations to private equity remain low in most African markets. To grow the local investor base that could anchor secondary transactions, development actors could provide capacity building support and offer risk-sharing structures that reduce the downside for first-time investors.

Developing secondary advisors and intermediaries is essential to structure deals, find buyers, and unlock residual value in tail-end portfolios:

In EMDEs, tail-end funds in private markets often become orphaned with few intermediaries willing to manage sales or extract value. DFIs and other development actors could help expand intermediary capacity by supporting specialist advisors (e.g. Stratford House) to help resolve ageing portfolios.

Market development depends on building transparency and credible valuation frameworks:

In Latin America, the growth of secondaries followed regulatory clarity around fund transfers, valuation rules, and disclosure. Brazil's CVM Resolution 175 and ANBIMA's self-regulation reduced friction for pension-led divestments by standardising valuation and transferability. In contrast, in Africa, unrealistic NAVs, limited markdowns, and inconsistent fund reporting continue to deter buyers, leading to an opportunity for DFIs and other development actors to support regulators and industry associations.

Where funds are listed, closed-ended formats can suit illiquid PE assets, but sponsors must ensure sufficient float and adopt discount

control strategies: Closed-ended vehicles avoid daily redemptions and can hold illiquid assets (e.g. VOF in Vietnam), but they require scale (experts indicate USD 100-300 million) to achieve viable listings. Investment trusts frequently trade at persistent discounts to NAV, which limits their ability to raise new capital even where daily liquidity exists. However, while they cannot eliminate discount entirely, discount control measures (e.g. share buybacks, enhanced dividends, and, in EMDEs, the use of blended finance tranches) can help stabilise pricing and improve investor confidence.

In the short to medium term, developed market listings focused on PE assets can reduce cost of capital and improve liquidity while domestic frameworks mature.

Developed market listings give EMDE vehicles access to deeper pools of capital and help address repatriation risk for foreign investors (although foreign exchange exposure is still present). For example, EMDE focused trusts listing in London on USD lines can attract a wider investor base under familiar governance and market infrastructure, even if underlying assets are in EMDE local currencies. DFIs and other development actors could help vehicles with EMDE strategies list on developed market exchanges where domestic liquidity is insufficient while helping to pilot listed structures in some markets.

5 Relative advantages of public and private secondary vehicles

Both public and private secondary vehicles can help improve liquidity across infrastructure and private equity. However, experience across developed markets and EMDEs shows that public listings are more common in real asset and infrastructure vehicles, while private structures are typically used for private equity portfolios. The choice between public and private secondary vehicles depends on the nature of the assets being traded, the maturity of local capital markets, and the type of investors they aim to attract.

Public vehicles often work best when they can pool assets structured to provide regular distributions (e.g. through predictable flows of rents, energy sales, etc.); however, in many emerging markets, investors may be willing to accept smaller or delayed dividends for higher capital appreciation. Markets must also be sufficiently liquid with intermediaries and regulatory frameworks in place to sustain secondary trading.

Advantages

- Ability to attract a broad investor base, including retail, pensions, insurers, and international institutions
- Governance and disclosure frameworks that build institutional confidence
- Price discovery and valuation benchmarks once scale is achieved
- Cross-listing to widen participation where domestic markets are shallow

Limitations

- High listing and compliance costs that weigh heavily on smaller and/or less developed EMDE markets
- Exposure to price volatility, particularly in less liquid markets, with appetite dropping during macro instability

- Scale thresholds: in the UK, investment trusts tend to have USD 100-300 million AUM before listing. In South Africa, Revego postponed its JSE listing even though it had raised c.ZAR 1.5 billion (c.USD 100 million) since this was still considered too small to attract coverage. Once listed, vehicles must also meet size and liquidity requirements to qualify for index inclusion which supports liquidity

Private vehicles are more relevant in smaller and less liquid markets where listing is not viable, and they work best with asset classes where transparency requirements are lower and bilateral transactions are feasible.

Advantages

- Flexible across both thick and thin markets, and particularly for smaller and less liquid markets where listing is not viable (e.g. most African secondaries occur bilaterally)
- Lower setup and compliance costs than public listings
- Greater flexibility in pricing, structuring, and governance

Limitations

- Narrower investor base, often limited to DFIs (particularly in Africa), private equity funds, and family offices, though institutional investors engage in some regions (e.g. LATAM)
- Less transparent, with weaker governance and limited price information, reducing market efficiency and trust among domestic pensions and insurers
- Lower certainty of profitable exit, as liquidity constraints may dictate timing of exits

6 High impact interventions for DFIs and development actors

Development actors can help address liquidity and capital market constraints in EMDEs, but the interventions will not apply evenly across markets. Amongst other factors, their relevance depends on the depth of local capital markets, the scale and behaviour of domestic investor bases, access to international investor bases, and the maturity of regulatory systems. In less developed markets, DFIs and other development actors may need to play a more direct role in supplying capital to compensate for weak local participation and lack of access to other international investors. In more mature markets, where basic structures are already in place, the priority may shift to supporting vehicles (in some cases with de-risking instruments) that can broaden the range of investors able to participate. The scope of intervention is also defined by mandates, risk frameworks, and performance metrics that guide DFI operations.

The following recommendations outline where DFIs and other development actors can act in the short and longer term to help secondary markets function more effectively. These recommendations are focused on DFIs generally, though their relevance will vary. Some institutions, such as BII, have already taken steps to address several of the constraints identified, while others are still in earlier phases. The recommendations that follow, therefore, speak most directly to those where these gaps remain.

Enabling recommendation

Recommendation 1: Expand (and in some cases shift) mandates and incentives

DFIs need clearer mandates and incentives to participate in secondary markets which will require support from shareholders. Current frameworks often emphasise primary capital deployment over market creation and, even when market creation is prioritised, some DFIs also assess impact through a use of proceeds lens. As a result, interventions that could improve liquidity and unlock private capital are sometimes deemed non-additional, even when they have clear market building effects. On the sell-side, the reluctance to accept discounts on assets held at inflated NAVs also limits secondary transactions and market shaping.

Recognising secondary market creation as a legitimate development outcome *on its own* would give DFIs the flexibility to act as both sellers and selective buyers¹⁷, invest in market-wide secondary vehicles, and release capital trapped in illiquid portfolios. It would also expand the range of instruments DFIs can deploy (including guarantees, first-loss tranches, and other risk-sharing tools) to crowd in institutional investors. Finally, incorporating capital recycling (discussed above) into DFI scorecards (where not already included) would align incentives and enable DFIs to play a more active role in improving overall market liquidity, including through shaping regulatory reforms.

Insights from interviews shows DFIs can credibly claim and quantify development impact when participating in secondary

¹⁷ In cases where DFIs choose not to participate directly as buyers in secondary trades, they can still play a catalytic role by acting as transparent sellers, helping establish market reference points and stimulate broader participation

vehicles and transactions through market-building effects. Interviewees noted that when DFIs and other credible investors participate in a secondary vehicle or transaction, it reinforces the view that the underlying assets and sector are investable, which can crowd in new capital (particularly domestic institutional investors whose participation depends on evidence of viable returns).

Once such mandate shifts are in place, DFIs can act on two levels: (i) in the short term, by managing portfolios and supporting liquidity solutions (primarily in private equity); and (ii) over the longer term, by backing structural measures that sustain secondary market growth

Short-term recommendation to manage portfolios and provide immediate liquidity

Asset supply



Investor depth



Recommendation 2: Accept liquidations and/or discounts where needed, and sell performing and non-performing assets

In the near term, DFIs can take practical steps to address portfolio illiquidity and set credible benchmarks for secondary activity. For older funds where limited value remains, because of an underperforming GP (i.e. zombie funds) and/or few sellable assets, DFIs should be prepared to close funds, rather than extending their lives¹⁸. Because this will require liquidation and/or recognising losses, buy-in from shareholders will be required.

DFIs also need to be willing sellers of both performing and non-performing assets to stimulate deal flow and demonstrate that secondary markets are not limited to distressed sales. This includes a readiness to transact at realistic prices (accepting discounts

to reported NAVs where necessary) to create credible price references and unlock stuck capital. Specialist intermediaries can support these efforts by identifying value, structuring transactions to maximise value for DFIs (e.g. through rights to future upside, packaging of performing and non-performing assets), and improving governance, ensuring that sales are executed effectively and transparently.

Alongside these corrective actions, well-designed secondary vehicles can free balance sheets for reinvestment and mobilise long-term institutional investors such as pension funds and insurers, who require transparent and liquid structures. However, in some cases, value may be better realised by existing owners rather than through discounted sales, so secondary vehicles should be viewed as one tool within a broader set of market building solutions across the fund cycle.

Longer-term actions to support sustainable secondary vehicle growth

Recommendation 3: Support the creation of purpose-built vehicles for illiquid assets

In public markets, vehicles such as InvITs and REITs provide exit routes for infrastructure and real estate, enabling developers to recycle capital into new projects. Their feasibility in EMDEs depends on market size and regulatory readiness, not just desirability. For example, in South Africa, asset pipelines, reporting systems, and regulatory frameworks are sufficiently mature for listed structures. In many frontier markets with smaller or more fragmented pipelines, unlisted pilots may be more relevant until vehicles reach sufficient size though there is also opportunity to assess the potential of multi-country platforms where

Asset supply



Market infra.



¹⁸ Note: if the GP is still managing the portfolio well, performing assets in their portfolios could be rolled into continuation funds rather than being sold to a completely new owner

national pipelines are insufficient. In advanced markets, investment trusts show that private equity investments and LP stakes can be brought together in a listed vehicle, creating liquidity and opening access to a wider pool of investors.

Market infra.


Recommendation 4: Back secondary-focused intermediaries and promote policies that enable secondary vehicle development

In addition to markets in EMDEs being thin, public markets intermediation is impacted by the cost of listed vehicles. REITs and InvITs in EMDEs can be expensive to establish relative to market size. Trustee fees, compliance charges, transaction taxes, and high minimum investment thresholds all discourage participation.

In private markets, funds designed to purchase and actively manage tail-end portfolios, as well as intermediaries providing these services, can provide exits where none currently exist. Stratford House (India), for example, has worked with small GP teams at the tail end of funds to strengthen governance, support LP Advisory Committee decision-making, and enable sales that would otherwise have stalled. Such interventions can reset expectations for the kinds of transactions that are possible and open space for more regular deal flow. In the short term, these vehicles can also provide immediate relief by unblocking tail-end portfolios that would otherwise remain stuck.

DFIs and development actors can intervene in three ways:

4a) Back specialist intermediaries: funding or convening intermediaries to provide toolkits for pooled vehicles (listed and unlisted), secondaries funds, continuation funds, etc. can lower execution barriers and enable smaller transactions.

4b) Provide catalytic backing, technical assistance, or targeted grants to offset setup costs in listed markets:

Early participants in new vehicles often face disproportionate setup costs. DFIs can underwrite part of these costs or offer technical assistance to make newer vehicles more viable in less mature markets and those where transaction sizes are small. In some cases, they must also work closely with regulators to adapt listing rules and supervisory frameworks (e.g. Acorn's experience with REITs in Kenya).

4c) Support data platforms: In private markets, reporting at a deal level in EMDEs is often less consistent and harder to compare than in advanced markets. Improving how both DFIs and other investors report transaction data can help investors better assess performance and provide more credible benchmarks for valuations.

Recommendation 5: Expand participation through risk sharing, simplified structures, and demonstration deals

DFIs and development actors can expand participation by:

5a) Supporting market-wide solutions through risk sharing:

Although secondary vehicles are a good entry point for local pensions and insurers to expand in the alternatives market, they often need downside protection and co-investment alongside others who know the market and asset class well. In addition to individual transactions (i.e. DFIs selling LP holdings on a deal-by-deal basis or bundling a few together in a portfolio sale), DFIs could help develop pooled or standardised vehicles, such as secondaries funds, regional liquidity facilities, or guarantee funds where risk-sharing is provided at scale. This can take the form of a junior tranche or similar structures. DFIs can identify and support the most relevant vehicles depending on the

Market infra.

Policy & regulation

Investor depth


market context and enabling conditions in place. However, any risk sharing instrument must be structured to avoid conflicts of interest. DFIs need a clear separation between their role as sellers and their role as sponsors of secondary vehicles, supported by independent valuations, competitive bidding, and third-party governance to ensure risk sharing improves market liquidity rather than DFI recoveries.

5b) Designing simplified structures:

Standardised terms and straightforward designs reduce the complexity premium and make it easier for institutional investors to diversify into alternative asset classes (listed and unlisted).

5c) Completing demonstration deals:

Transactions that demonstrate returns can build confidence that exits are achievable, supporting broader engagement from both global and domestic investors; however, transparency is critical for demonstration to succeed.

5d) Supporting scalable frameworks:

Although interventions would need to be tailored to specific contexts, development actors with policy influence can work with regulators and industry actors to create regulated and accessible routes for secondary transactions. For example, this could include expanding channels such as InvITs and unquoted securities platforms or improving valuation frameworks for PE transactions.

5e) Promoting standardisation: Common reporting templates, transfer contracts, and disclosure requirements reduce uncertainty for institutional investors. Sector bodies can reinforce credibility by embedding these practices across markets.

Recommendation 6: Structure for exit

Primary investments should be structured to allow for easy secondary transfers at later stages, particularly in PE. Debt and equity instruments that include transfer clauses, standardised reporting, and transparent yield profiles are easier for secondary buyers to assess. Including clear exit provisions within Limited Partnership Agreements (LPAs) and ensuring these are not diluted through side letter rights, reduces friction in secondary trades.

Other interventions:

Recommendation 7: Support instruments that mitigate macroeconomic and geopolitical risks

Though these risks are not specific to secondary markets, they must be addressed to ensure targeted interventions function effectively.

DFIs and development actors can help mitigate macro and geopolitical risks by supporting instruments that reduce volatility and manage risk (across both secondary and primary markets):

- **Support for hedging platforms and market makers** in thinly traded currencies can provide liquidity and reduce the cost of managing FX risk
- **Engagement with regulators and exchanges can improve listing conditions**, lowering the barriers to IPOs and secondary issuance when windows of stability open. Relevance and interventions will differ by jurisdiction and require targeted approaches. For example, in deeper markets, interventions may focus on streamlining disclosure and trading rules, while in thinner or less developed markets, they may need to prioritise regulator capacity building

Asset
supply



Market
infra.

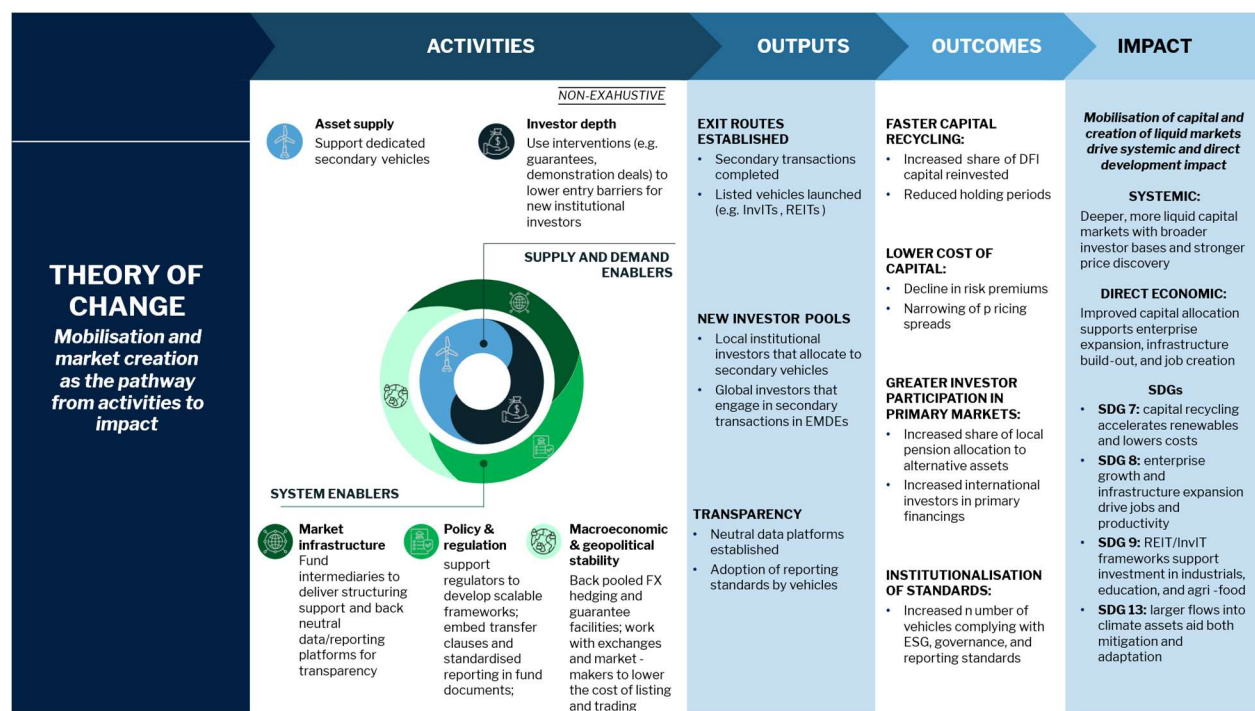


Macro.
stability



7 Theory of change

Figure 8. Theory of Change



The interventions above flow into a broader theory of change that shows how secondary vehicles can contribute to development outcomes in EMDEs, as outlined in Figure 8. Theory of Change.

Secondary vehicles contribute to development outcomes by mobilising capital and creating more transparent, liquid pathways for reinvestment. They mobilise capital in three ways: (i) initial release of stuck capital, particularly from tail-end funds, (ii) continued faster recycling as investors exit and redeploy sooner, and (iii) attracting new investors, who would typically not consider entering markets with such high exit risk, into both primary and secondary markets. This larger pool of capital brings illiquid assets back into circulation, crowds in additional investment, and channels financing into local economies, while also supporting the development of credible, transparent market structures.

Through the interventions in Section 1, DFIs and development actors can influence enabling conditions leading to measurable outputs:

- **Exit routes established:** secondary transactions completed; listed vehicles launched
- **Investor participation broadened:** domestic institutions allocate to secondary vehicles; international investors transact in EMDE secondaries
- **Transparency improved:** standardised reporting and neutral data platforms adopted

These changes enable faster and more predictable (private) capital flows into EMDE primary markets. Credible exit options lower the cost of capital, earlier liquidity enables faster capital recycling, and reduced risk can attract a broader pool of investors. Over time, secondary activity embeds governance,

valuation, and ESG standards that strengthen market discipline.

The wider impacts include deeper and more resilient capital markets, improved allocation of financing to enterprises and infrastructure that can accelerate growth, and contributions to multiple SDGs, including renewable energy deployment (SDG 7), job creation and enterprise growth (SDG 8), infrastructure expansion (SDG 9), and climate-aligned investment flows (SDG 13). Better business performance can strengthen the tax base, which, over time, can improve fiscal stability and reduce sovereign borrowing costs, creating a virtuous cycle of investment and development.

Additionality

Secondary vehicle interventions can demonstrate additionality in three ways:

Mobilising capital

- **Crowding in new investor archetypes:** By supporting the development of secondary vehicles and creating credible exit routes, DFIs attract local capital providers, retail investors, and international institutions that would otherwise avoid illiquid or higher risk EMDE assets.
- **Demonstration effect:** DFI participation signals that secondary structures can work in EMDE contexts, reducing perceived risk and encouraging replication by private investors. An originate-to-demonstrate approach – where DFIs back early transactions to generate data and proof points – can provide a scalable route to mobilising capital.

Financial additionality

- **Providing capital where others will not:** Secondary vehicles in EMDEs often struggle to raise financing because commercial investors are reluctant to

participate without some form of risk mitigation. By committing early and offering risk-sharing structures, DFIs can enable these vehicles to come to market and attract additional private capital.

- **Improving financing terms:** DFIs support for structures such as continuation funds can help shift terms to longer cycles common in EMDEs (e.g. 14 to 16 years rather than the standard 10-year fund model). In public markets, support to introduce market makers can improve trading conditions and price discovery.

Value additionality

- **Market framework development:** In thin or non-existent secondary markets (such as in much of Africa), DFIs early participation by anchoring new secondary structures can embed governance, transparency, and ESG standards suited to local contexts, which subsequent participants can adopt.
- **Knowledge transfer and innovation:** By piloting structures such as listed EMDE investment trusts or continuation funds, DFIs help local markets develop the capacity to replicate models that reduce barriers for future entrants.
- **Technical assistance:** Support for issuers and intermediaries can strengthen governance, disclosure, and sustainability practices, helping new structures succeed and making demonstration effects visible sooner.

Appendix I – Abbreviations and key terms

Abbreviations

Abbreviation	Definition
AMEFIBRA	Mexican FIBRA Association
AUM	Assets under management
BMV	Bolsa Mexicana de Valores (Mexican Stock Exchange)
CBFI	Certificado Bursátil Fiduciario Inmobiliario (FIBRA unit)
DFI	Development finance institution
DPI	Distributions to paid-in capital
EDGE	Excellence in Design for Greater Efficiencies (green building certification)
EMDEs	Emerging markets and developing economies
ETF	Exchange-traded fund
FIBRA	Fideicomiso de Inversión en Bienes Raíces (Mexico's REIT structure)
FIP	Fundo de Investimento em Participações (Private Equity Investment Fund)
FX	Foreign exchange (currency)
GP	General partner (private funds manager)
IFC	International Finance Corporation
InvIT	Infrastructure investment trust
IPO	Initial public offering
IRR	Internal rate of return
JSE	Johannesburg Stock Exchange
LEED	Leadership in Energy and Environmental Design (green building certification)
LP	Limited partner (investor in a private fund)
LSE	London Stock Exchange
MDB	Multilateral development bank
NAV	Net asset value
OECD	Organisation for Economic Co-operation and Development
REIT	Real estate investment trust
SDG	Sustainable Development Goal
SEBI	Securities and Exchange Board of India

Glossary of key terms

Key term	Definition
Blind-pool risk	The uncertainty faced by investors when committing to a new fund without knowing which assets will be acquired. Secondaries reduce this risk by providing access to existing, more transparent portfolios
Dedicated secondary funds	A closed-end fund raised by specialist managers with the sole purpose of acquiring secondary stakes
Drop-down	The transfer of operational assets from a sponsor to its YieldCo, typically structured under pre-agreed contractual terms such as right of first offer
General Partner (GP)	The fund manager responsible for investment decisions. GPs initiate GP-led secondary transactions such as continuation or recapitalisation vehicles
GP-led secondaries	Transactions initiated by GPs to restructure or extend fund assets. This includes structures such as continuation funds, structured sales, preferred equity, strip sales, and tender offers
Preferred equity	An investor provides capital to an existing fund or portfolio in exchange for a preferred return repaid first from future distributions. LPs do not sell their shares, but GPs may choose to use the funds to distribute to LPs, providing them with liquidity. The preferred investor is repaid before the remaining investors, who continue to participate in any additional profits once that amount has been returned
Strip sales	A fund manager (GP) conducts a partial sale of some or all of its portfolio companies to a new investor. This provides partial liquidity to the fund and its investors while still maintaining ownership in the companies and thus benefiting from future performance
Tender offers	GP-led processes where an external buyer is invited to purchase existing LP fund interests at a set price. LPs can choose whether to take part or not
Hurdle rate	The minimum return a fund must deliver before the GP becomes eligible to earn carried interest
J-curve	Describes the return profile of a private market fund: negative returns in the early years followed by an upward swing in performance
Limited Partner (LP)	Investor in a private market fund who provides capital but does not manage the fund. LPs may sell their interests in secondary transactions
LP-led secondaries	Transactions where LPs sell fund interests to secondary buyers. Common structures include traditional purchases, structured joint ventures, and securitised transactions (such as collateralised fund obligations)
Structured sale	A secondary market transaction in which a distressed LP transfers its fund interests into a joint venture co-owned with a counterparty. In addition to providing funding for the joint venture, the counterparty finances future capital calls from the fund. The LP retains partial exposure by sharing future distributions, typically on a 50:50 basis
Securitised portfolios	A securitised product backed by a pool of fund interests, allowing LPs to package and sell exposures to generate liquidity

Key term	Definition
NAV financing	A form of fund-level lending where loans are secured against the NAV of a portfolio. It provides GPs and LPs with additional liquidity and is increasingly used alongside secondary transactions
Sponsor	The parent company (often a developer) that originates the assets and typically retains partial ownership of the YieldCo
Tail-end fund	Fund which is nearing the end of its lifecycle with only a few remaining assets, typically operational but slow to exit, unlike zombie funds which are characterised by prolonged underperformance and stalled exits
Trophy assets	High-quality, prime, and strategically important assets that are typically the most resilient and valuable in a portfolio due to strong location, tenants/offtakers, and long-term cash-flow visibility
Zombie fund	Underperforming funds that extend beyond their expected lives and continue to charge fees but are no longer making or exiting investments

Appendix II – Case studies and secondary vehicle mapping

Overview of case studies

Description	Pros (opportunities)	Cons (risks)	Pre-conditions
An InvIT in India is a listed trust structure (unlisted trust structures were discontinued in 2022) that pools operating infrastructure assets, allowing developers to recycle capital and investors to earn consistent, stable returns. InvITs have grown into USD 70+ billion market spanning various sectors including roads, power, telecom, and, more recently, renewables. InvITs are regulated by the Securities and Exchange Board of India (SEBI)	• Unlocks capital for developers that can be invested into additional greenfield projects • Provides investors with stable, consistent cashflows • Strict transparency and governance requirements enhance market development	• Reliance on a steady pipeline of new assets to deliver growth • Heavy reliance on a single sector (e.g. roads or telecom) can magnify sector-specific downturns • Interest rate sensitivity can make InvIT yields less attractive relative to bonds, pushing unit prices down	• Secondary market liquidity mechanisms • Regulatory & governance framework (clear payout rules, leverage caps, sponsor obligations) • Pipeline of brownfield assets with stable cash flows (e.g. NHAI road monetisation) • Retail access and strong investor protections to broaden participation
FIBRAs are Mexico's REITs: tax-transparent real-estate trusts (fideicomisos) that list equity certificates (CBFIs) and must distribute ≥95% of taxable income annually. They pool stabilized, income-producing properties, giving investors liquid exposure to diversified real-estate cash flows. FIBRAs are listed on the Bolsa Mexicana de Valores (BMV) governed by Mexico's National Banking and Securities Commission (CNBV)	• Rule-based payouts from diversified and stable assets • Listed vehicle that broadens the investor base with pension funds as anchor • Capital recycling for sponsors/developers for new projects	• Valuations swing with rates, and higher rates widen cap rates and lift financing costs, with rates currently high in Mexico. • Concentration by tenant, sector, or region can drive occupancy-rate volatility and re-letting risk (e.g. hospitality during COVID) • FX and inflation mismatches (MXN rents, US\$, and indexation lags) can compress margins	• A sizable stock of stabilized, income-producing properties to seed portfolios and sustain follow-on growth • Enabling regulation and tax incentives that make listed pooling attractive • Functioning capital markets with exchange infrastructure and a sizable domestic institutional bid

Description	Pros (opportunities)	Cons (risks)	Pre-conditions
A YieldCo in the U.S. is typically a publicly listed holding company created to own and operate a portfolio of operational, long-term contracted infrastructure assets (most commonly in the renewable energy sector) to generate predictable cash flows. Although the model originated as a listed structure, sponsors have at times created private YieldCo-like vehicles to hold operational assets for a more limited number of institutional investors. YieldCos are regulated by the U.S. Securities and Exchange Commission (SEC) under standard public listing and disclosure rules	• Access to high dividend yields • Expands the investor pool beyond infrastructure funds to mainstream public equity investors • Provides liquidity and exit opportunities for project developers	• Reliance on a steady pipeline of new assets to deliver growth • Sensitive to interest rate environments; rising rates reduce appeal relative to bonds • Governance risk when YieldCo is overly dependent on a single sponsor (e.g. SunEdison case) • Dual-class share structures can give sponsors majority voting power, creating potential misalignment with public shareholders • Exposure to political risk in EMDEs including potential withdrawal of incentives (such as tax credits or guaranteed floor prices)	• Functioning public equity market with sufficient liquidity and investor appetite for yield-oriented securities • Regulatory framework for disclosure, dividend distribution, and asset transfers • Pipeline of contracted infrastructure assets with stable cash flows • Macro environment with low interest rates and supportive renewable policy (tax credits) • Visibility and legal/regulatory enforceability of long-term contracts (e.g. PPAs with price guarantees or tax credit regimes) to ensure those cash flows remain reliable

Description	Pros (opportunities)	Cons (risks)	Pre-conditions
Private market secondaries involve the purchase and sale of existing fund interests or direct portfolios. Historically, activity was LP-led (investors selling stakes in funds to raise cash). Today the market includes a range of structures: • LP-led e.g. Traditional LP stake sales, Structured joint ventures, Securitized portfolios (e.g. collateralized fund obligations) • GP-led e.g. GP-led continuation funds (single and multi-asset), Preferred equity and strip sales, Tender offers and NAV-based financing Secondary activity also includes multiple underlying fund strategies e.g. buyouts, venture, growth, infra, private credit, real estate. These transactions are typically governed by limited partnership agreements (LPAs)	• Provides liquidity and exit options to LPs in long-duration funds • Expands participation in private markets by lowering blind-pool risk and allowing buyers to access seasoned portfolios with track record visibility • Creates portfolio management flexibility for institutional investors (rebalancing, regulatory compliance, strategic allocation shifts)	• Pricing volatility: bid-ask spreads can widen sharply in downturns (e.g. GFC, 2009 NAV discounts) • Potential misalignment of interest in GP-led deals (conflicts between existing LPs and new investors) • Reliance on specialist managers and brokers: less transparency than public markets	• Sufficient scale of primary private markets (committed capital and invested portfolios large enough to generate secondary supply) • Willingness of LPs to transact for portfolio management and liquidity reasons • Availability of specialist managers and buyers with capital to absorb transactions • Professional market infrastructure: brokers, legal advisors, administrators to facilitate transactions • Regulatory frameworks that permit transfer of fund interests and recognition of secondary structures (e.g. continuation vehicles)

Description	Pros (opportunities)	Cons (risks)	Pre-conditions
Investment trusts in the UK are closed-ended, exchange-listed companies that pool investor capital and invest it in a professionally managed portfolio, including public and private equity and debt instruments in the UK and globally. Governed by an independent board, they offer permanent capital (no daily redemptions), can use modest gearing, smooth dividends via revenue reserves, and manage discounts with buybacks/issuance. The sector now counts c.324 trusts with c. GBP 267 billion in AUM, with some focusing on EMDEs. They are regulated by the UK Financial Conduct Authority (FCA)	• Patient capital for illiquid assets • Developed market listing taps a broad base of investors, including retail and institutional investors • Established governance increases investor confidence	• Persistent trading at a discount resulting in reduced investor confidence, increased cost of equity, and fewer issuances • FX and macro sensitivity of more volatile emerging markets • Depending on investment trust strategy, exit risk for private investments, particularly for equity investments	• Pipeline of investable assets – whether SMEs, infrastructure, or other underlying assets • Majority-independent board with clear discount-control policies and shareholder alignment • Regulatory support in the form of disclosures and compliance for multi-jurisdiction investing

Product blueprints

Steps to launch	
InvITs	1. Identify sponsor(s) and pool eligible brownfield assets with stable revenues 2. Appoint sponsor, trustee, and investment manager 3. Structure distributions ($\geq 90\%$ of net distributable cash flows) 4. Choose listing route: public (for retail + liquidity) or private (for institutions) 5. Secure anchor/ DFI investors to build credibility 6. Scale through repeat acquisitions and innovative financing mechanisms
YieldCos	1. Identify sponsor(s) with a pipeline of operational, contracted infrastructure assets 2. Establish YieldCo legal structure (typically a C-Corp or LLP) 3. Arrange drop-down/ROFO agreements between sponsor and YieldCo for asset transfers 4. Prepare listing: hire underwriters, complete regulatory filings, establish dividend policy 5. IPO: sell shares to public investors (or structure private YieldCo for institutional placement) 6. Post-IPO: execute growth strategy through further drop-downs, third-party acquisitions, and transparent reporting to sustain dividend yield
REITs	1. Define strategy and economics across sectors, dividends, leverage, and growth 2. Assemble and validate seed assets through titles, leases, and appraisals 3. Establish the FIBRA trust and governance via a fideicomiso and committee rules. 4. Secure tax and regulatory approvals, register CBFIs, and finalize the prospectus 5. Appoint trustee, managers, valuers, auditor, market maker 6. Market and price the IPO, anchor with AFORES, and set the distribution calendar 7. Close and operate, transfer assets, fund debt, report quarterly, and keep $\geq 95\%$ payouts

Steps to launch	
Private Market Secondaries	1. Sufficient scale of primary private markets (committed capital and invested portfolios large enough to generate secondary supply) 2. Willingness of LPs to transact for portfolio management and liquidity reasons 3. Availability of specialist managers and buyers with capital to absorb transactions 4. Professional market infrastructure: brokers, legal advisors, administrators to facilitate transactions 5. Regulatory frameworks that permit transfer of fund interests and recognition of secondary structures (e.g. continuation vehicles)
Developed market listed investment trusts with EMDE focus	1. Target sectors, emerging market geographies, deal types, and align to overall objective of the trust 2. Choose domicile, listing venue, currency/ dealing line, and gearing and distribution policies 3. Identify an independent board and appoint a manager 4. Prepare and approve the Prospectus, detailing strategy, risks, fees, governance, and a credible 12-24-month pipeline 5. List the trust, support trading (market maker and buybacks), deploy the pipeline and ensure NAVs are reported clearly

Vehicles covered in case studies

Relevant case study	InvITs	YieldCos	
Vehicle	IndiGrid 	TerraForm Power (TERP) TerraForm Global (GLBL) 	Revego Africa Energy Fund 
Sponsor	Initially backed by Sterlite Power, later joined by KKR as sponsor and GIC as anchor investor	SunEdison, a renewable energy developer and sponsor of both listings	Cornerstone investors include: - Investec Bank - Eskom Pension - Provident Fund - UK Climate Investments (a joint venture between the UK government and Macquarie Group's Green Investment Group)
Underlying assets	Transmission lines, solar generation, and battery energy storage systems (BESS)	Operational wind and solar projects	Minority equity stakes in operational wind and solar projects procured under South Africa's REIPPPP
Structure	- Publicly listed on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) - Originally backed by Sterlite Power, with KKR and GIC increasing ownership in recent years	- Publicly listed YieldCos receiving assets sold drop-downs from SunEdison - The sponsor retained partial ownership and influence	Revego was a planned listed company on the JSE as sole LP in an underlying fund, targeting dividend yield for public investors. Majority Black-owned manager; BEE-aligned fund classification
IPO details	IPO (2016): raised ₹22.5bn (c.USD 250 million) with shares prices in a band of ₹98-100	- TerraForm Power: IPO'd July 2014 at USD 25 per share and raised c.USD 502.5 million - TerraForm Global: IPO'd July 2015 at USD 15 per share and raised c.USD 675 million	Intended JSE listing at R10 per share with c.R1.519bn raise in April 2021. Listing was postponed and the vehicle continued to raise capital privately
Jurisdiction	India – regulated by the Securities and Exchange Board of India (SEBI) under the InvIT framework	United States listings on NASDAQ. - U.S. operating portfolios for TerraForm Power - Multi-country emerging market portfolios for TerraForm Global	South Africa headquartered and portfolio concentrated in South Africa; mandate extends to sub-Saharan Africa

Relevant Case Study	REITs	
Vehicle	FIBRA UNO (BMV: FUNO11) 	Acorn REITs 
Sponsor	El-Mann family and related entities	Acorn Holdings (Kenya-based developer and operator of affordable student housing)
Underlying assets	614 buildings for industrial, logistics, retail, office, educational, and other uses	- D-REIT: finances build-to-stabilisation projects - I-REIT: acquires stabilised properties for steady income and long-term capital appreciation
Jurisdiction/ Structure	- Publicly listed Real Estate Investment Trust (FIBRA) on the Bolsa Mexicana de Valores - Investor Base: Domestic pension funds (AFOREs), insurance companies, foreign institutional investors, and retail investors	Kenya; listed on Nairobi Securities Exchange's Unquoted Securities Platform (USP)
Financing instruments	IPO (2011): raised USD 300 million in Mexico's first FIBRA listing, backed by a 13-property, 0.5mn m² portfolio	Equity commitments from institutional and retail investors via regulated platforms

Relevant Case Study	Private Market Secondaries			Developed market listed investment trusts with EMDE focus
Vehicle	Spectra Latin America Private Equity I, II, III, IV, C, VI 	ChrysCapital continuation fund – USD 700 million 	Stratford House 	Vietnam Opportunity Fund 
Sponsor	Spectra Investments (São Paulo; Latam focus)	GP led vehicle by ChrysCapital, an India-focused private equity firm	N/A	N/A
Underlying assets	- Mix of fund-of-funds, co-investments, and secondary purchases of LP positions - Exposure to infrastructure, logistics/ports, energy, agribusiness; plus, buyout/growth/VC through primaries & co-investments	Growth private equity: stake in the National Stock Exchange of India (NSE) moved from Fund V	Focus on tail-end funds requiring support to exit or divest underlying portfolio companies	Listed equity, private equity, cash & others
Jurisdiction/ Structure	Brazil/Latam; Fundo de Investimento em Participações (FIP) framework for domestic holdings; standard LP interests for offshore funds	Offshore continuation vehicle: Fund VI LPs offered the choice to cash out or roll into the new vehicle	India; private fund structure targeting tail-end private equity portfolios	Publicly listed on London Stock Exchange (LSE)
Financing instruments	- Closed-end commitments from local & international LPs - Mix between family offices, pension funds, and international investors	Anchored by HarbourVest Partners, Pantheon Ventures, and LGT Capital Partners; UBS acted as adviser; Cooley LLP advised the GP	Advisory based liquidity solutions for LPs and GPs, including governance support and asset-level divestitures	Equity rights issues

Mapping of secondary vehicles and key transactions in EMDEs – non-exhaustive

Efforts to expand secondary market activity in developing markets is nascent but markets are beginning to take shape across multiple asset classes in various market contexts. The below are the main categories of vehicles emerging:

Yield-oriented vehicles: InvITs, REITs, and YieldCo-like models, often listed, have emerged as relevant vehicles. They enable asset sponsors to monetise operating infrastructure and real estate assets while offering liquidity and yield to investors. Examples include:

Vehicle Name	Region	Country	Year launched
Bridge Data Centres REIT	Asia	Malaysia	2024
Patria Infrastructure YieldCo	Latin America	Brazil	2024
Sentinel REIT	Africa	Ghana	2024
China Securities Technology C-REIT	Asia	China	2022
Huaan Zhangjiang Everbright C-REIT	Asia	China	2022
Shenzhen Energy Environmental C-REIT	Asia	China	2022
Acorn Student Accommodation Income REIT	Africa	Kenya	2021
Beijing Capital Development (BCD) C-REIT	Asia	China	2021
Brookfield India REIT	Asia	India	2021
Donghai Changjiang Bridge C-REIT	Asia	China	2021
Revego Africa Energy Fund	Africa	South Africa	2021
Techcom Vietnam Real Estate Investment Fund	Asia	Vietnam	2021
Mindspace Business Parks REIT	Asia	India	2020
National Highways Infra Trust (NHIT)	Asia	India	2020
Embassy Office Parks REIT	Asia	India	2019
UKCI African Renewable Energy YieldCo	Africa	Multi-Country	2019
Egyptians Real Estate Fund SAE (EGREF)	Africa	Egypt	2018
FIBRA Prime (PRIME)	Latin America	Peru	2018
IndiGrid Infrastructure Investment Trust	Asia	India	2017
IRB Infrastructure Investment Trust	Asia	India	2017
LarrainVial Renta Inmobiliaria	Latin America	Chile	2017
XP Malls FII (XPML11)	Latin America	Brazil	2017
Azure Power YieldCo	Asia	India	2016
Fibra Vía by PINFRA	Latin America	Mexico	2016
FIBRA Macquarie México	Latin America	Mexico	2015
FIBRA-E (Energy Infrastructure FIBRA)	Latin America	Mexico	2015
TerraForm Global	Asia, Africa	Multi-Country	2015
Atlantica Sustainable Infrastructure	Latin America	Multi-Country	2014
Fibra Prologis (FIBRAPL)	Latin America	Mexico	2014
Fibra Inn (FINN)	Latin America	Mexico	2013
Redefine Properties	Africa	South Africa	2013
UPDC REIT	Africa	Nigeria	2013
FibraHotel (FIHO)	Latin America	Mexico	2012
Fibra Uno (FUNO)	Latin America	Mexico	2011
Kinea Renda Imobiliária FII (KNRI11)	Latin America	Brazil	2010

Vehicle Name	Region	Country	Year launched
Fortress REIT	Africa	South Africa	2009
Union Homes REIT	Africa	Nigeria	2009
BTG Pactual Corporate Office Fund (BRCR11)	Latin America	Brazil	2008
SFS REIT	Africa	Nigeria	2008
Growthpoint Properties	Africa	South Africa	2000

Structured securitisations of real assets or portfolios: Securitisations have proven successful in multiple EMDE contexts, in some cases with DFIs/ MDBs taking an active role. Examples include:

Vehicle Name	Region	Country	Year launched
African Infrastructure Bond Platform	Africa	Multi-Country	2022
Linzi 003 Infrastructure Asset-Backed Security	Africa	Kenya	2025
IFC CLO	Global EM	Multi-Country	2025
West Africa Multi-Country Securitisation	Africa	Multi-Country	2025
Desarrollo Argentino II	Latin America	Argentina	2024
EnerGrid (IndiGrid, BII, Norfund, KLP)	Asia	India	2024
IDB Invest (Scaling4Impact)	Multi-Region	Multi-Country	2023
Kenya Mortgage Refinance Company (KMRC)	Africa	Kenya	2022
Family Homes Fund Sukuk	Africa	Nigeria	2021
Nigerian Infrastructure Asset Securitisation	Africa	Nigeria	2021
Bayfront Infrastructure Management	Asia	Singapore	2019
FCIA Desarrollo Argentino II	Latin America	Argentina	2007

Private capital secondary funds and transactions: Secondary activity in private capital markets includes both individual transactions and the emergence of dedicated funds or platforms pursuing secondary strategies, reflecting growing market development. Examples include:

Vehicle Name	Region	Country	Year launched
LGT Capital Partners China Secondaries	Asia	China	2025
MeTTa Secondaries (raising now)	Africa	South Africa	2025
Asia Secondary Opportunities Fund III	Asia	Multi-Country	2024
Blue Earth Capital-BII secondary transaction	Africa/Asia	Multi-Country	2024
ChrysCapital Continuation Fund	Asia	India	2024
Hamilton Lane Brazil Secondaries	Latin America	Brazil	2024
Kenro Capital Southeast Asia VC Secondaries	Asia	Multi-Country	2024
PAG Fund IV LP Tender Offer	Asia	China	2024
TR Capital Asia Private Credit Secondaries	Asia	Multi-Country	2024
Octobre Liquidity Guarantee Facility (OLGF)	Multi-Region	Multi-Country	2024
Patria Secondaries Opportunities Fund V	Latin America	Multi-Country	2024
Sango Capital acquisition of SPEF I stake	Africa	West Africa	2024

Coller Capital EM Private Debt Secondaries	Multi-Region	Multi-Country	2023
Spectra Fund V	Latin America	Brazil	2021
Ardian-CMB Chilean Toll Roads GP-Led	Latin America	Chile	2019

Bank loan refinancing transactions: Loan refinancing allows borrowers to restructure existing debt at more favourable terms while giving lenders risk diversification and potentially higher yields. Examples include:

- In China, Fosun International refinanced a USD 870 million offshore syndicated loan through a three-year sustainability-linked facility led by Bank of China, China Construction Bank, and a group of international banks
- In Côte d'Ivoire, the government refinanced EUR 400 million (c.USD 435 million) of debt through a World Bank-backed swap, extending maturities and lowering costs, and is expected to free up EUR330 million (c.USD 359 million) over five years for education
- TLG Capital's Africa Growth Impact Fund provides a structured credit solution by working with banks to refinancing SME loans at better terms (secured by a bank guarantee), freeing up banks to increase lending

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