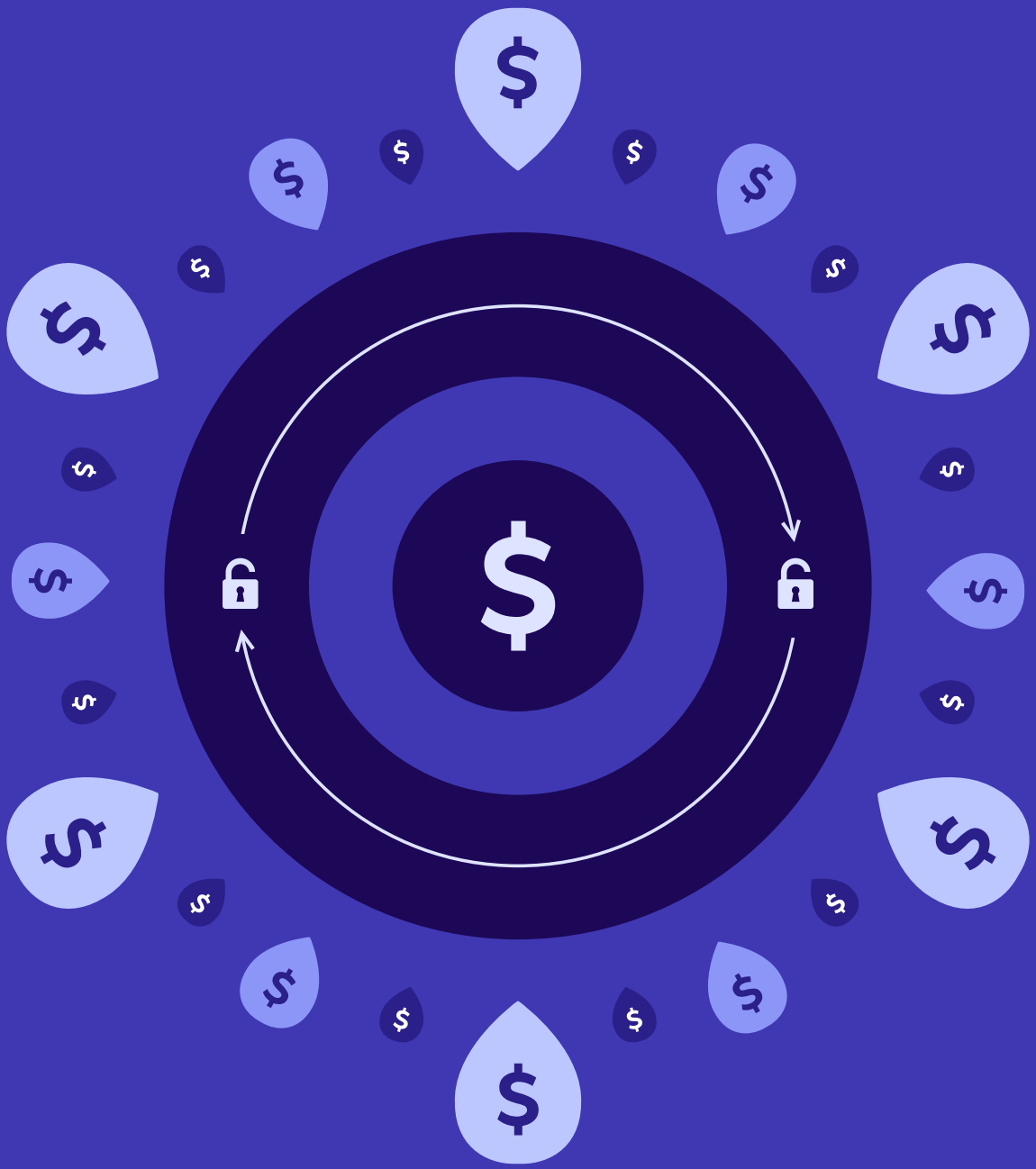
PRIMER

Trending topics in private markets

Unlocking Liquidity in Private Markets 2025



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At a glance

Liquidity solutions for LPs: continuation funds, evergreens, and secondaries

- A record 64 managers globally closed their first continuation fund in 2024, a 25% increase from the previous year.
- The NAV of evergreen funds has grown by about 20% in less than two years, and is currently at least $419bn.
- Private equity secondaries funds' AUM grew by over 300% in the past decade to reach a record $526bn as of December 2024, representing 6% of private equity AUM.

Private markets assets under management is projected to grow at an annualized rate of 11.5%, according to Preqin forecasts.[1]

For this rapid growth to happen, asset managers will have to cater to the varying needs of an expanding investor pool. For these LPs, liquidity and quicker distributions have become crucial in a market traditionally associated with illiquidity.

This demand for liquidity has led to a proliferation of new structures, including continuation funds, evergreens, and secondaries funds, which offer investors flexibility over their cash flows or early distributions.

There are two main reasons why demand for these structures is strong.

With slower exit markets, the distribution cycle from private capital funds has become more unpredictable – making it harder to plan for cash outflows and inflows. And without proper cash-flow management, investors can find it challenging to maintain target allocations and achieve their risk/return targets.

At the same time, private wealth investors are an increasingly important source of new capital. The number of family offices and wealth managers investing in alternatives has grown by nearly 600% in the past decade, according to Preqin data.

This Primer explores how continuation, evergreen, and private equity secondaries funds are thriving, and the extent to which they meet investors' needs.

1 https://pro.preqin.com/insights/research/reports/future-of-alternatives-2029

Continuation funds: a liquidity solution for LPs

A record number of continuation funds closed in 2024 as GPs look to meet investor demand for distributions. But to what extent are these vehicles meeting LPs' needs?

The slowdown in distributions across private capital is being felt by investors. For them, less capital returned from their GPs means less flexibility to make new commitments, fund capital calls, or maintain strategic asset allocations. It's no wonder that LPs are demanding capital back.

At the same time, GPs are finding it more challenging to make distributions. They are having to hold on to their portfolio companies for longer as traditional exit markets have frozen up. The result is a growing backlog of unsold assets – known as exit overhang – which can distort valuations and impact liquidity.

The cumulative value of this overhang[2] is now at a record high, according to Preqin Company Intelligence data. It has almost tripled in the past decade, rising from $210bn in 2015 to $585bn in 2024. In the last three years alone, this value has grown by nearly 50%, from $395bn in 2021.

With traditional exit paths blocked and GPs under pressure to return capital to investors, they have turned to liquidity solutions such as continuation funds. These allow GPs to extend ownership of one or more portfolio companies – typically those they view as high-conviction assets – by rolling them into a new fund.

In 2024, a record 64 managers globally closed their first continuation fund (Fig. 1.1), a 25% increase from the previous year.

For LPs, continuation funds offer a choice: exit and gain liquidity, or roll interest into the new vehicle and maintain exposure to the asset. But are these funds meeting their liquidity needs? And what purpose might these vehicles serve in today's market?

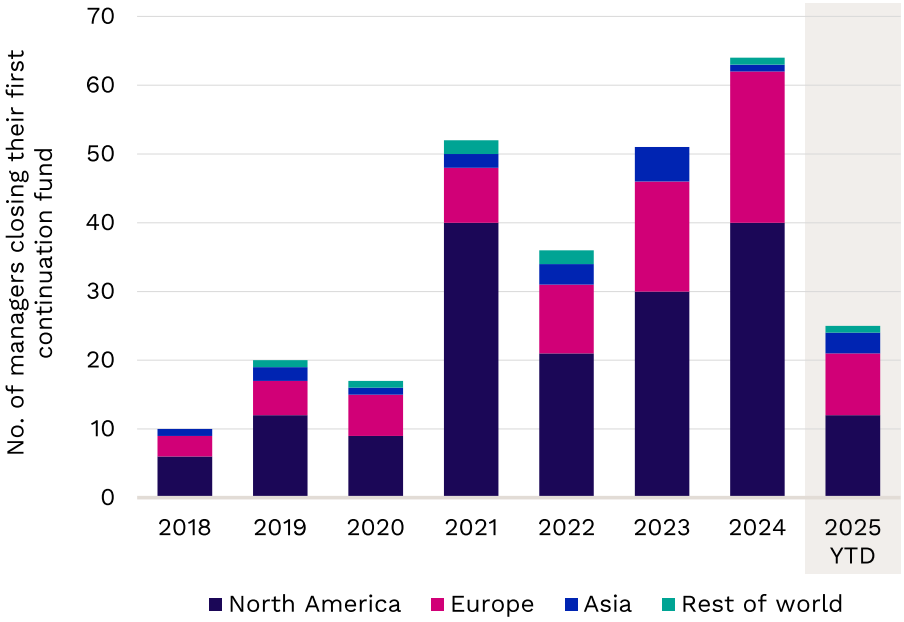
2 the pool of private equity investments that have remained unsold past their typical holding period of five years.

77

A record number of continuation funds closed in 2024, raising an aggregate $39bn

Fig. 1.1: 2024 set a new record for managers closing their first continuation fund

Number of fund managers closing first continuation fund, by region



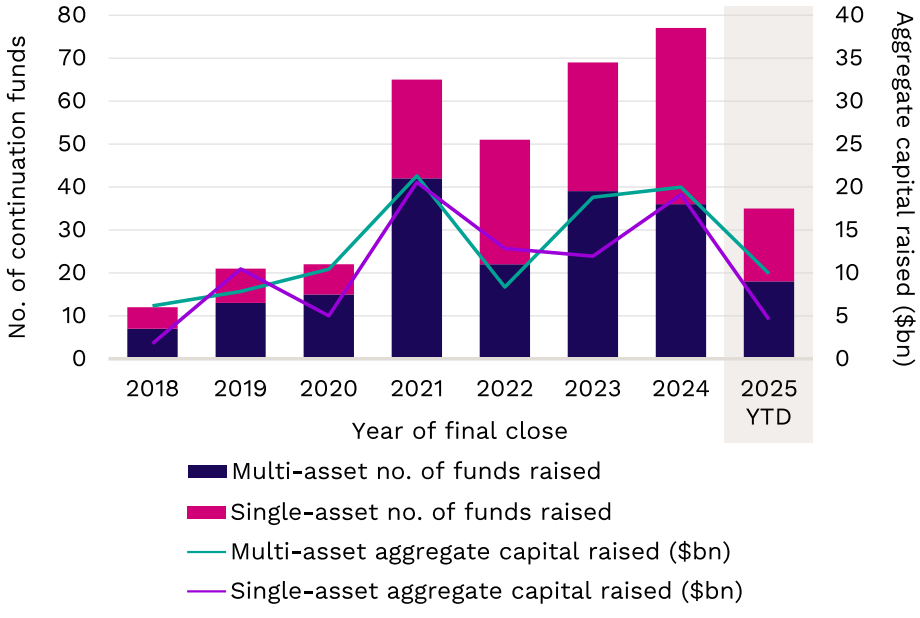
Source: Preqin Pro. Data as of June 2025

Continuation funds: state of the market

According to Preqin data, a record 77 continuation funds closed in 2024, raising an aggregate $39bn – up from $31bn in 2023 and close to the previous peak of $42bn in 2021 (Fig. 1.2). That momentum seems to be continuing this year, with $15bn raised across 35 funds in the first five months.

Fig. 1.2: The number of continuation funds and total capital raised gathers momentum

Number of continuation funds closed and total capital raised, by multi- and single-asset

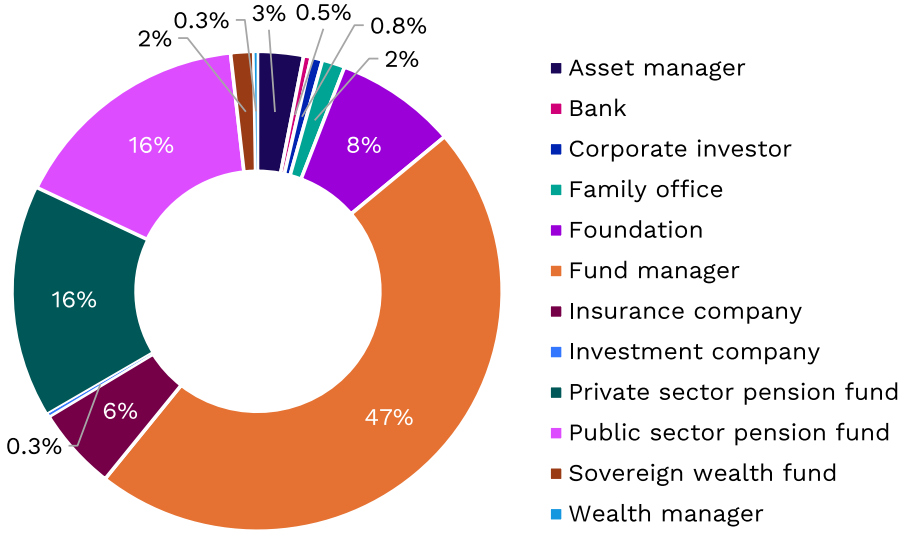


Source: Preqin Pro. Data as of June 2025

> “ LPs have started to factor continuation funds into their responsibility set to a great degree – more and more are able to evaluate these opportunities as they come through, rather than being forced sellers by default.
>
> **Neal Prunier,**
> Managing Director,
> Industry Affairs,
> Institutional Limited Partners Association

The increasing use of continuation funds has been met with growing LP participation. Public and private sector pension funds are prominent investors, with each accounting for 16% of known commitments in continuation funds since 2018 (Fig. 1.3). Fund managers, including fund of funds and secondary fund of funds, have the largest share of known commitments, with 47%.

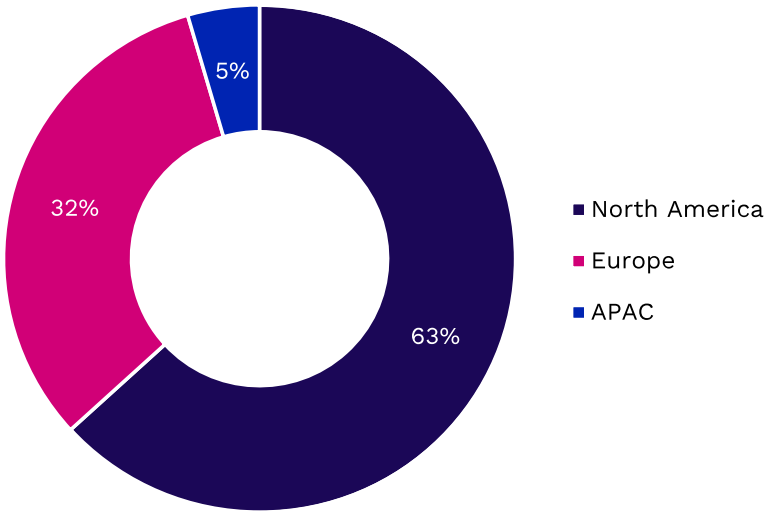
Fig. 1.3: Public and private pension funds are prominent investors after fund managers
Number of continuation fund commitments, by LP type, 2018–2025



Source: Preqin Pro. Data as of June 2025

In terms of the regions where investing LPs are based, the majority (63%) are in North America, followed by 32% in Europe and 5% in APAC (Fig. 1.4).

Fig. 1.4: Most LPs investing in continuation funds are based in North America
Number of continuation fund commitments, by LP region, 2018–2025



Source: Preqin Pro. Data as of June 2025

Flexibility to support capital pacing

For investors in private markets, a well-structured capital pacing strategy is crucial to achieving and maintaining target allocations to asset classes while also ensuring sufficient liquidity.[3] However, sticking to a capital pacing plan can be a challenge because the timing of capital calls and distributions is typically outside an LP's control.

The flexibility offered by continuation funds can enable LPs to align their portfolio strategies with evolving market conditions and investment goals. Many LPs recognize this and are adapting their teams and internal models to take advantage of, and decide whether to roll into, the fund within the short election period.

'We're seeing LPs tap into their co-investment or direct deal experience – or teams when they are in place – to evaluate the underlying assets,' says Neal Prunier, Managing Director, Industry Affairs at the Institutional Limited Partners Association (ILPA). 'LPs have started to factor continuation funds into their responsibility set to a great degree – more and more are able to evaluate these opportunities as they come through, rather than being forced sellers by default.'

Offering a choice in uncertain times

At their core, continuation funds give LPs two options: take liquidity now, or stay invested for potential upside. Having this choice has become increasingly beneficial in today's uncertain environment. Two reasons stand out:

1. The exit slowdown is top of mind for LPs

Exit markets continue to be sluggish. In the first quarter of 2025, global buyout exit activity fell to $80bn, the lowest quarterly value in two years. The aggregated buyout exit value in 2024 was $412bn, down from $452bn in 2023, and less than half of the $856bn in 2021, when interest rates were low and exiting markets was relatively easy.

The slower exit markets continue to be the top concern among private equity investors today. According to the latest Preqin investor survey, in November 2024, 68% of private equity investors cited the exit environment as a key challenge for return generation in the next 12 months – well above other concerns like asset valuations (47%) and interest rates (36%).[4] For context, in the 2021 survey, 21% of investors stated exit environment was a key challenge.

For LPs who do not expect the exit environment to recover in the near term, a key consideration is the impact this might have on distributions from GPs – and, consequently, on their own cash management and ability to meet unfunded commitments or other mandated expenses.

Continuation funds could offer investors an opportunity to be proactive with their portfolio management. For example, they could roll out of their investment and take the distributions in order to meet their other commitments. They could also choose to invest the distributions in other asset classes, or take a pause as they consider how to navigate market conditions.

2. The denominator effect may push LPs to offload private equity exposure in the coming months

Given the current market volatility, there is a risk that public market assets devalue more than private ones. This might result in the denominator effect, where a higher allocation to private markets increases the likelihood of over-allocation within LP portfolios.

3 https://www.preqin.com/insights/research/blogs/setting-the-pace-how-to-create-a-capital-pacing-plan-for-private-markets-investing

4 https://www.preqin.com/insights/research/investor-outlooks/investor-outlook-h1-2025

The denominator effect 'may become one of the key considerations for LP portfolios this year', writes Victoria Chernykh, VP, from Preqin's Research Insights team, in Private Equity Q1 2025: Preqin Quarterly Update.[5] The report states that investors' portfolios were at their target private equity allocation levels at the end of the first quarter this year. The average private equity allocation for all investors was 10.8% of assets under management, the same as their average target allocation figure.

If the denominator effect makes it necessary to decrease the share of private equity in investor portfolios, some LPs may look to offload exposure. In this scenario, a continuation fund could offer these LPs a way to reduce over-allocation, and rebalance and de-risk portfolios – while allowing other LPs in the fund to maintain their positions if they choose.

Most LPs still prefer traditional exits

Polls conducted by ILPA earlier this year revealed that only 17% of LPs viewed continuation funds as the preferred path to liquidity. They also found that almost four times as many LPs (63%) favored conventional exits. According to Prunier, the findings suggest that LPs would prefer GPs to use conventional exits, even below marks if necessary.

'While continuation funds can generate liquidity, it is often considered artificial, as it does not necessarily reflect a true exit from the asset,' explains Andres Hefti, Partner at Multiplicity Partners AG, a Zurich-based secondary fund of funds manager.

Hefti says that if he were to rank liquidity events by their quality, he would rate trade sales and IPOs at the top because these are 'true exits that generate fresh cash'. Continuation funds, on the other hand, 'reflect the GP's inability to sell outright and often serve as a placeholder'.

For many LPs, continuation funds could be an interim liquidity solution, with the final destination still seen as a traditional exit like a trade sale or IPO.

Potential benefits if LPs can wait for liquidity

Continuation funds could, however, offer performance benefits for LPs who may not need distributions back immediately. Rolling into a fund could be an opportunity to hold onto high-conviction assets with strong return potential and greater visibility than a blind-pool commitment.

Early performance data from a small sample size of continuation funds from Preqin seems to support this view. Multi-asset continuation funds of vintage 2023 delivered a median net multiple of 1.47x and single-asset funds delivered 1.35x, compared with 1.02x for traditional private equity funds of the same vintage (Fig. 1.5).

5 https://pro.preqin.com/insights/research/quarterly-updates/private-equity-q1-2025-preqin-quarterly-update

Fig. 1.5: Continuation funds may offer performance benefits over traditional private equity funds
Multi- and single-asset continuation funds vs. traditional private equity fund performance, vintage 2023

	Called (%) median	RVPI (%) median	DPI (%) median	Net multiple (X) median	Constituent funds
Multi-asset continuation funds	81.00	138.87	0.00	1.47	11
Single-asset continuation funds	89.20	135.10	0.00	1.35	7
Traditional private equity funds*	33.48	99.92	0.00	1.02	222

*Includes buyout, growth, balanced, co-investment, and direct secondaries

Source: Preqin Pro

Preqin data also indicates that the average time between a GP first investing in an asset and rolling it over to the new continuation fund is about 3.2 years. In this time, much of the work in value creation could have been done.

This means that incumbent LPs could benefit from the final leg of growth or near-term exit without resetting the J-curve, while new LPs in the fund get immediate and concentrated exposure to assets with a tapered J-curve.

Ultimately, for LPs to take advantage of the optionality that continuation funds offer, they will need to ensure transparency and alignment of interest from GPs. This includes ensuring that the GP's valuation of portfolio companies is validated. Additional bandwidth and early planning will be required on the LP's part – including access to the right data, technology and partners. But it could provide a strategic advantage for their portfolio and liquidity management.

→ **Without data-driven insights, LPs risk mispricing portfolios and misjudging manager risk. Enhanced market transparency and advanced investment technology enable allocators to better identify opportunities, assess risk-adjusted returns, and tailor exposure by sector, strategy, or vintage.**

Discover how Preqin's solutions can help you turn liquidity constraints into strategic opportunities.

Learn more here.

Evergreen funds: liquidity for a growing private capital investor pool

The record number of evergreen funds currently in market is largely down to the liquidity needs of private wealth investors. Here, we explore the benefits and limitations of these funds for LPs

Private markets assets under management is projected to grow rapidly in the next few years – at an annualized rate of 11.5%, according to Preqin forecasts.[6] Private wealth investors are an increasingly important source of new capital for funds to achieve this.

To meet the demands of this expanding investor set – chief among them, better liquidity – asset managers are turning to evergreen funds. Also known as open-ended funds, perpetual capital, and semi-liquid funds, these structures allow investors to subscribe into and redeem out of the fund, without waiting on the manager to call or distribute capital.

'The expansion of evergreen funds has largely (but not only) been driven by the surge in demand from private wealth channels, particularly high-net-worth individuals, family offices, and retail intermediaries seeking institutional-quality access to private markets,' say Victor Mayer, Head of International Private Wealth, and Michael Hutten, Partner and Head of US Private Wealth, at Pantheon.

'Evergreen structures offer simplicity – no capital calls, regular liquidity, and the ability to invest and exit flexibly – which aligns well with the operational preferences of private wealth investors and some institutional investors,' they add.

But how do evergreen funds provide investors with the liquidity they seek? And to what extent is this liquidity available on demand?

6 https://pro.preqin.com/insights/research/reports/future-of-alternatives-2029

↑ 726

A record number of evergreen funds were in market as of June 2025, following significant growth over the past 15 years

Evergreen funds: state of the market

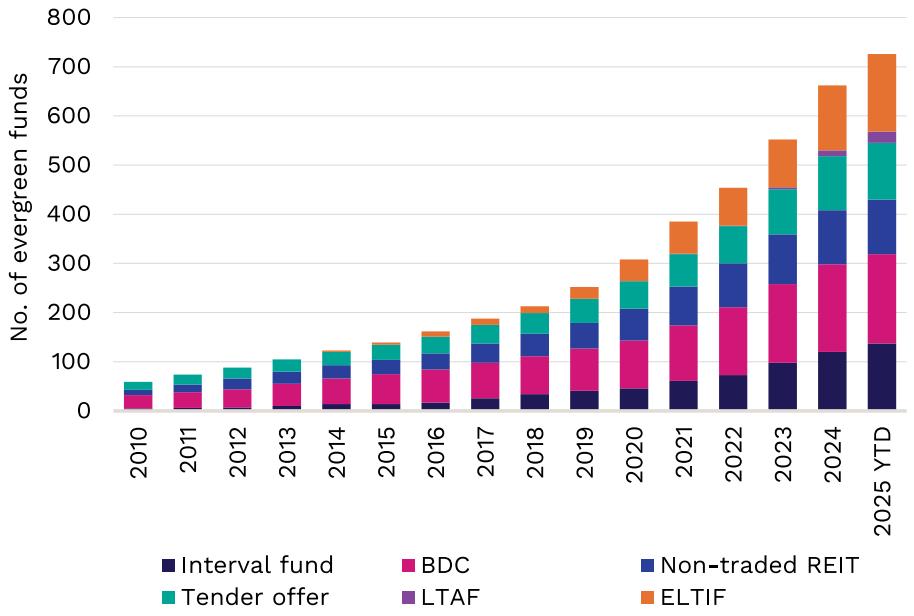
According to Preqin data, there were a record 726 evergreen funds in market as of June 2025. This comes after a period of significant growth over the past 15 years – with the number of funds increasing at an average of 18% year on year, and doubling every five years (Fig. 2.1).

> The expansion of evergreen funds has largely (but not only) been driven by the surge in demand from private wealth channels, particularly high-net-worth individuals, family offices, and retail intermediaries seeking institutional-quality access to private markets.

Victor Mayer,
Head of International Private Wealth, Pantheon

Michael Hutten,
Partner and Head of US Private Wealth, Pantheon

Fig. 2.1: Evergreens in market hit a record high
Number of evergreen funds, by structure

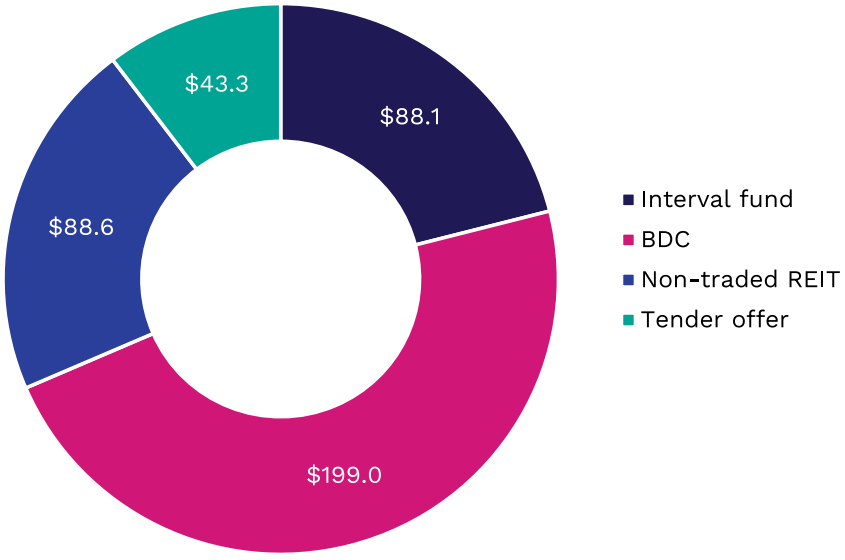


Source: Preqin Pro. Data as of June 2025

Evergreen funds currently represent at least $419bn of net asset value (NAV) (Fig. 2.2) – and that is a conservative estimate, given only a portion of these funds disclose their latest valuation. NAV has grown by about 20% in less than two years, from $350bn at the end of 2023.[7]

7 https://www.preqin.com/insights/research/blogs/evergreen-capital-funds-hit-record-high-at-350bn-on-private-wealth-demand

Fig. 2.2: Evergreen funds represent $419bn of NAV
NAV for evergreen funds, by structure ($bn)*



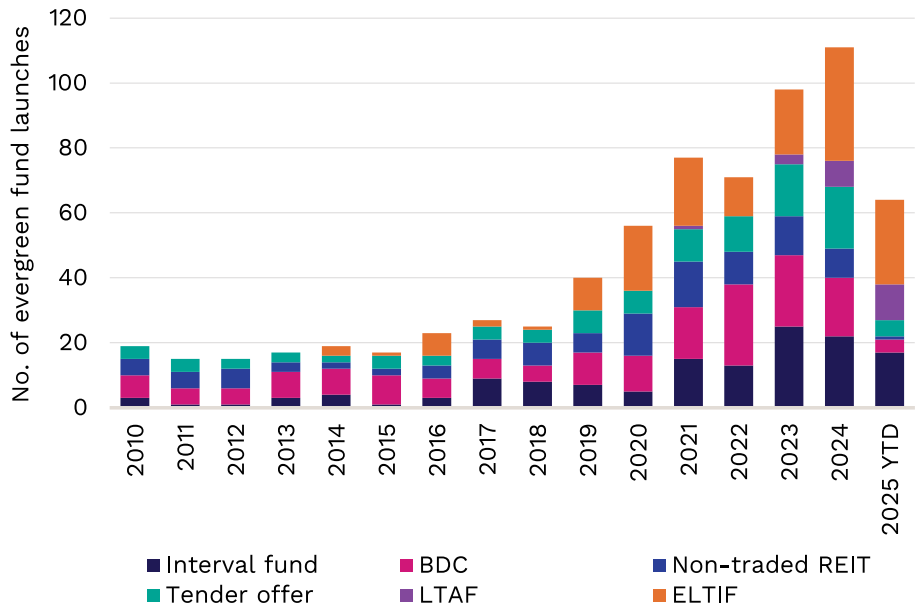
*Excludes LTAFs and ELTIFs due to low levels of disclosure

Source: Preqin Pro. Data as of June 2025

> Investors in evergreens would benefit from a medium-term investment horizon and should be comfortable that, in extreme market scenarios, they may not be able to redeem their assets in full for a period of time.
>
> **Simon Baker-Munton,**
> Head of Evergreen Portfolio Management, Partners Group

European Long-Term Investment Funds (ELTIFs) are now the most favored fund structure among new launches. There were 35 ELTIF launches in 2024, compared with 20 the year before – a 75% increase. This momentum is continuing in 2025, with 26 ELTIFs already launched in the first half of the year (Fig. 2.3).

Fig. 2.3: ELTIFs emerge as the preferred structure for new funds
Number of new evergreen fund launches, by structure



Source: Preqin Pro. Data as of June 2025

The recent popularity of the ELTIF structure can be attributed to regulatory changes that took effect in January 2024.[8] These broaden the scope of eligible assets and lower the threshold for investment, among other modifications.

What do evergreens offer investors?

Unlike closed-end private capital funds, evergreens draw capital upfront and reinvest exit proceeds. This eliminates the uncertain capital call and distribution schedules that investors have to navigate with closed-end funds. It also gives them flexibility and discretion to initiate investment and redemption requests. For LPs, this brings two main benefits: control over their asset class exposure and liquidity, and efficient capital allocation.

Liquidity and cash-flow management

Having more control of investment and redemption schedules is a greater priority for LPs today. They 'increasingly demand flexibility, particularly given the ongoing macro uncertainty, interest rate volatility, and shifting allocation priorities across portfolios', say Mayer and Hutten.

For private wealth investors in particular, 'liquidity is not just about cash access – but about portfolio planning, liabilities optimization, and the ability to rebalance across asset classes as needed'.

With slower exit markets, the distribution cycle from closed-end funds is more unpredictable, making it harder to plan for cash outflows and inflows. And without proper cash-flow management, investors can find it challenging to maintain target allocations.[9]

8 ELTIF 2.0: new opportunities in 2025 for European AIFs - Securities Services: https://securities.cib.bnpparibas/eltif-2-0-regulation/

9 https://www.preqin.com/insights/research/blogs/setting-the-pace-how-to-create-a-capital-pacing-plan-for-private-markets-investing

The continuous investment model of evergreens enables investors to 'dial exposure up or down in response to their changing liquidity needs, without being locked in for a 10–12-year term', according to Mayer and Hutten.

The compounding effect of returns

Evergreen funds, with their perpetual investment structure, keep capital fully invested and compounding over a longer period. In contrast, capital commitments to closed-end funds can remain uncalled for several years – during which time they do not earn returns – or returned early without the opportunity to reinvest.

Partners Group estimates that an evergreen fund can achieve the same money multiple (return on investment) as a closed-end fund, even when the evergreen's net annual return is lower than the closed-end fund's internal rate of return.[10,11]

'The difference arises from an evergreen fund continuously reinvesting capital over time. This is in contrast to a closed-end fund, where the impact of uninvested capital can cause a dilutive impact on an investor's overall portfolio,' says Simon Baker-Munton, Head of Evergreen Portfolio Management at Partners Group.

Key considerations when selecting evergreen fund managers

At its core, investors turn to evergreen funds for periodic liquidity. Fund managers rely on a combination of a well-constructed, diversified portfolio, and specific liquidity management tools to provide this.

According to Baker-Munton, LPs shopping around should look for funds that are 'operationally set-up to credibly manage an evergreen fund', rather than an extension of what might otherwise be a successful closed-end program.

This includes 'a suitable direct-focused investment engine – providing a healthy stream of individual investment opportunities – a fair allocation policy, and dedicated and knowledgeable teams built specifically for portfolio and liquidity management'.

Fund features to manage liquidity

Some of the common features that evergreen fund managers use to manage liquidity include:

- notice periods that allow the fund manager time to plan for redemptions;
- gating provisions specifying in advance the maximum amount that can be redeemed over certain time periods;
- soft and hard lock-ups with associated penalties;
- cash buffer and liquidity sleeves, where managers allocate a portion of the portfolio (typically 10–15%) to liquid or near-liquid assets such as listed securities, syndicated loans, or shorter-duration credit (the cash drag may impact fund returns);

10 Access private markets: Evergreen funds: www.partnersgroup.com/~/media/Files/P/Partnersgroup/Universal/perspectives-document/accessing-private-markets-evergreen-funds.pdf

11 The key difference in the calculation methodologies is that the annual return measures the annualized percentage gain or loss of an investment over a specific period, without accounting for the timing of cash flows, while internal rate of return calculates the annualized effective rate of return that makes the net present value of all cash flows (both inflows and outflows) from an investment equal to zero, factoring in the timing and scale of those cash flows.

- liquidity facilities, such as credit lines, that provide short-term funding to meet redemptions and broader liabilities without forcing asset sales; and
- staggered capital deployment to smooth cash flows and maintain a more liquid balance sheet in the early stages of fund's life.

Liquidity is not guaranteed or limitless

'Private markets evergreen funds are mostly invested in illiquid assets and should not be considered as liquid investments,' explains Baker-Munton. 'Investors in evergreens would benefit from a medium-term investment horizon and should be comfortable that, in extreme market scenarios, they may not be able to redeem their assets in full for a period of time.'

Periods of market dislocation can impel investors to redeem at exactly the point when liquidity may be most restricted. This is because the fund manager may impose gates on redemptions to protect the interests of existing investors.

LPs that choose to invest in an evergreen route for the redemption advantages should assess whether a GP has done their liquidity homework ahead of time, says Baker-Munton. Have they stringently stress-tested their portfolios under a range of scenarios? Otherwise the LP risks being disappointed at a potentially crucial moment.

Validating the GP's valuation process

There has been a lot of attention – from LPs and regulators like the Securities and Exchange Commission – on how private capital managers value their portfolio companies and if they might be overvaluing the businesses they own.[12] This is even more important for evergreen funds.

Because closed-end funds are not actively traded, GPs generally only conduct quarterly (or more infrequent) valuations. In contrast, evergreens offer a monthly unit price, which investors use to subscribe to and redeem from the fund.

LPs should therefore ensure that evergreen fund managers run frequent fund valuations using a rigorous and transparent valuation policy that can be validated.

Evergreen funds offer various benefits, including investment and redemption flexibility and ease of cash-flow management, as well as simplified tax and investor reporting and lower minimum investment threshold. But they are not a substitute for public market liquidity, nor are they without risk. LPs need to get access to the right data, technology and partners to help them gain a clear picture of what these funds can and cannot do.

12 https://www.preqin.com/insights/research/blogs/three-takeaways-on-private-equity-valuations-what-fair-value-adjustments-reveal

Gain a holistic view of private capital and discover how Preqin's solutions can help you turn liquidity constraints into strategic opportunities.

Learn more here.

Private equity secondaries funds: a liquidity toolkit for LPs

Secondaries funds can offer investors quicker distributions and greater diversification than primaries. To what extent do they deliver these benefits?

The secondaries market is expected to play an important role in private capital in the coming years. Assets under management (AUM) for private equity secondaries funds is projected to grow at an annualized rate of 13.3%, exceeding primary funds' 12.8% projection, according to Preqin's Future of Alternatives report.[13] Investors are drawn to the quicker distributions offered by these vehicles, especially given the slowdown in distributions across private capital (see the chapter on continuation funds).

LPs selling in the secondaries market have traditionally used it to generate liquidity opportunistically. But they are now increasingly using it as an asset allocation and capital deployment tool.

'The majority of LP portfolio sales that take place these days involve institutional investors who utilize the secondaries market to manage their portfolios,' says Amyn Hassanally, Partner and Global Head of Private Equity Secondaries at Pantheon. 'Institutional sellers routinely look to the secondaries market to rebalance or trim their portfolios, typically with a reserve price in mind and a minimum amount of net asset value (NAV) they are looking to realize.'

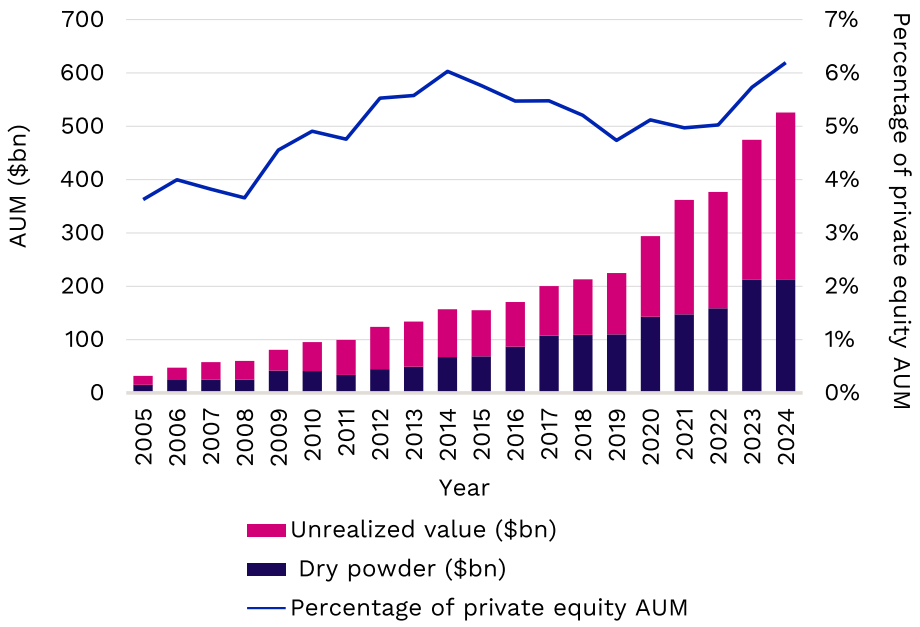
In turn, demand for private equity secondaries funds (which buy these LP stakes in private equity funds) has grown significantly. Their AUM increased by over 300% in the past decade to reach a record $526bn as of December 2024, representing 6% of private equity AUM (Fig. 3.1).

13 https://pro.preqin.com/insights/research/reports/future-of-alternatives-2029

↑ $526bn

AUM of private equity secondaries hit a record level as of December 2024

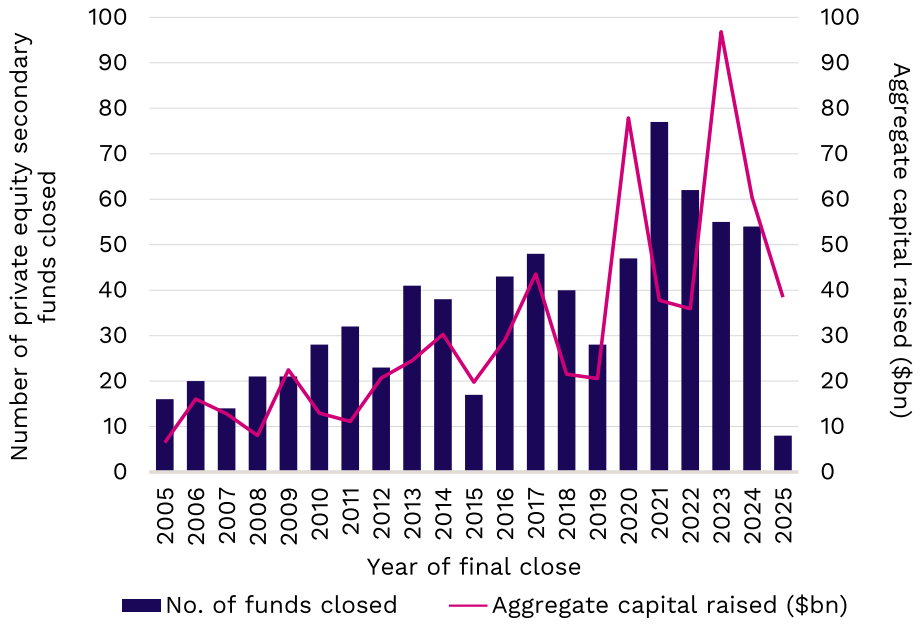
Fig. 3.1: Secondaries' AUM reached a record $526bn in 2024
AUM for private equity secondaries funds



Source: Preqin Pro. Data as of June 2025

Fundraising has also been strong. Private equity secondaries funds globally raised an aggregate of $60bn in 2024. While this was lower than the 2020 and 2023 peaks of $78bn and $97bn, respectively, it is still higher than the average of the past decade (Fig. 3.2).

Fig. 3.2: Secondaries fundraising remains strong
Number of private equity secondaries funds closed and aggregate capital raised



Source: Preqin Pro. Data as of June 2025

> “ Institutional sellers routinely look to the secondaries market to rebalance or trim their portfolios, typically with a reserve price in mind and a minimum amount of NAV they are looking to realize.
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> **Amyn Hassanally,**
> Partner,
> Global Head of Private Equity Secondaries,
> Pantheon

Investor demand for secondaries is set to continue. Nearly half of the respondents to our recent investor survey, published in March 2025, believe secondaries is the fund type that presents the best opportunities in private equity in the coming year, after small- to mid-market buyouts.[14]

What do secondaries offer investors?

Compared to primary funds, secondaries present two key benefits:

- Diversification: secondaries funds typically build up portfolios of private equity funds, consisting of several dozen underlying assets, making them less concentrated than primary funds. Investors can gain diversification across vintages, managers, strategies, industries, and geographies.

- J-curve mitigation: secondaries generally acquire fund interests in assets that are at a more mature stage than those a primary fund would make, resulting in earlier distributions.

With these benefits, secondaries can potentially offer investors faster distributions and better risk-adjusted returns than primaries.

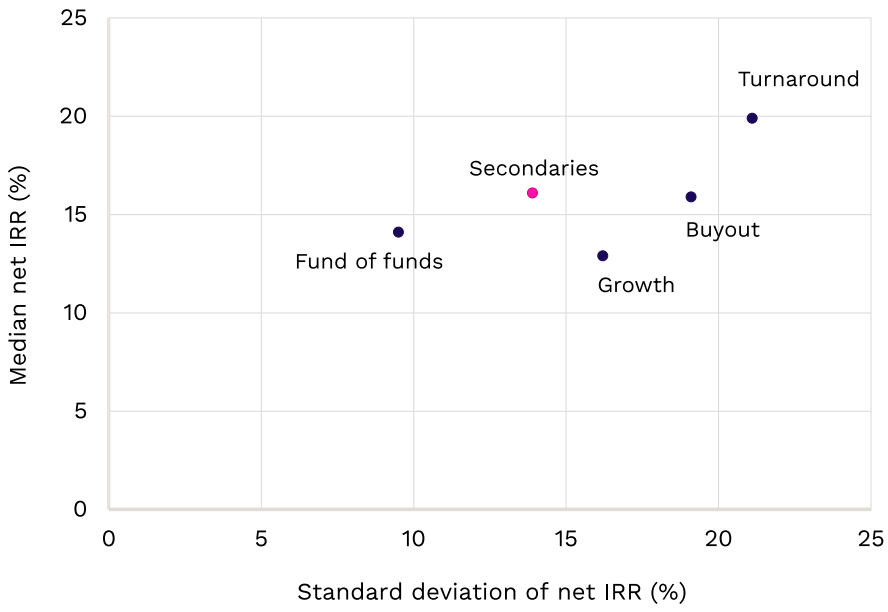
We looked at the performance data for secondaries funds to determine the extent to which they are delivering this. Here are three takeaways.

- **1. Return dispersion is lower than primary funds but the range is widening**
  Because of greater diversification, private equity secondaries funds have been able to deliver comparable returns to primaries historically but in a narrower range.

  Secondaries of vintages 2013–2022 delivered a net median internal rate of return (IRR) of 16.1%, slightly above other private equity strategies such as buyout, fund of funds, and growth. At the same time, the standard deviation of the net IRR for secondaries was at 13.9%, the lowest of all strategies after fund of funds (Fig. 3.3).

14 https://pro.preqin.com/insights/research/investor-outlooks/investor-outlook-h1-2025

Fig. 3.3: Secondaries deliver comparable returns to other private equity strategies but in a narrower range
Median net IRR and standard deviation of net IRR for vintages 2013–2022, by private equity strategies



Source: Preqin Pro. Data as of June 2025

However, early performance data suggests there may be increasing dispersion of returns in the future.[15] For more recent secondaries (vintages 2020–2022), the 21.3% standard deviation of returns is much higher than the 9.8% in older funds (vintages 2013–2019).

Growing competition means secondaries funds are trying to differentiate themselves by taking a more concentrated approach – by focusing on certain niches or transaction types, rather than the typical, diversified multi-fund exposure. This may explain the greater dispersion in fund performance.

→ **2. Early IRR for secondaries may be high, but is comparable to primaries over time**

While secondaries may show strong early performance, the IRRs for secondaries and primary private equity funds look similar over the long term.

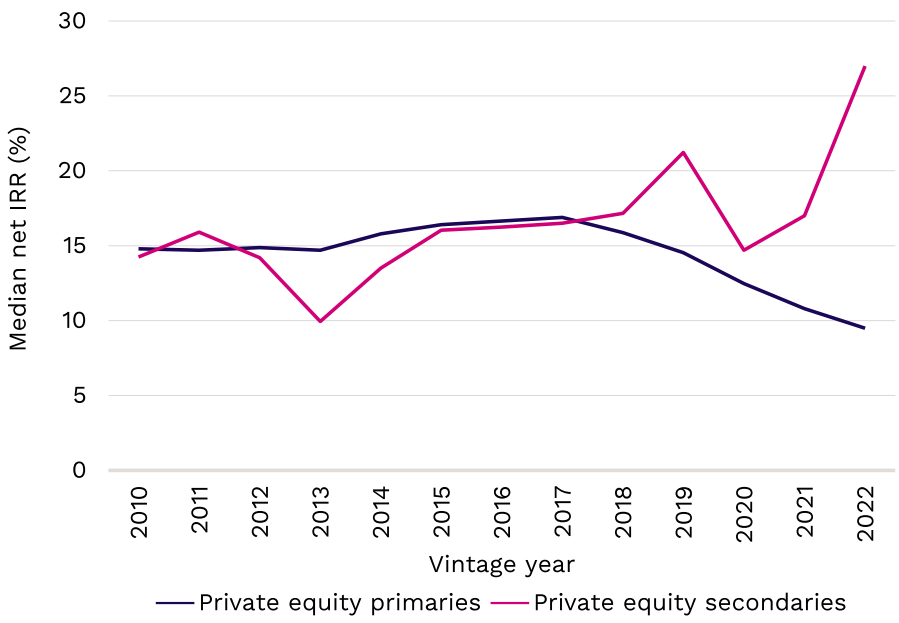
Because the assets are often acquired at a discount to NAV and marked back to fair value in the portfolio, secondaries have the potential to generate higher early IRRs than primaries. However, as the portfolio matures, the returns may converge.

For vintages 2018 onwards, the net median IRR for secondaries funds is higher than primaries, with the outperformance more pronounced for newer vintages. For vintages before 2018, IRR for secondaries and direct funds track each other closely (Fig. 3.4).

15 https://www.preqin.com/insights/research/blogs/trends-to-watch-in-the-secondaries-market

Fig. 3.4: Early IRR for secondaries is higher but comparable to primaries over time

Median net IRR for private equity secondaries vs. primary funds



Source: Preqin Pro. Data as of June 2025

→ **3. Early DPI is higher but lifetime DPI is likely to be lower than primaries**

Data shows that secondaries funds have consistently higher average distributions to paid-in capital (DPI) for each vintage year from 2016 onward. In contrast, for most of the older vintage years, primaries have higher DPI (Fig. 3.5).

Fig. 3.5: Early DPI for secondaries is higher, but lower in older vintages
Average DPI for private equity secondaries vs. primary funds

Source: Preqin Pro. Data as of June 2025

The DPI for newer vintage funds may be higher due to the J-curve mitigating properties of secondaries, which can allow these funds to distribute capital faster. 'Distributions can start flowing back from as early as the first quarter after an LP commits to a fund,' says Hassanally. As a result, early DPI is typically higher for secondaries than primaries.

But for older vintage funds, other factors may come into play. Some of the underlying funds' distributions could have been made before being acquired by the secondaries, reducing the overall amount distributed to investors. In addition, secondaries have an extra layer of fees, which increases the amount paid in by the investor and therefore lowers the DPI over the life of the fund.

A key consideration when selecting a secondary fund manager

While buyers in the secondaries market often obtain the stakes at a discount to NAV, a concern for LPs is when secondaries funds rely only on discounts to generate returns. As with any asset class, pricing in the secondaries market is dependent on many factors and buying on price alone is not the best strategy.

'The quantum of discount varies, depending on a range of factors such as size of portfolio, quality of underlying assets, weighted average vintage year (older vintages attract larger discounts typically), and asset class (venture assets attract a bigger discount than buyout assets these days). Also, competitive dynamics will shape pricing to a degree – not all processes attract the same level of buyer attention,' explains Hassanally.

While these discounts can enhance returns, they are not a guarantee of long-term value. Investors should seek secondary managers that are able to weigh the short-term benefits of a discount write-up against the long-term return potential of the portfolio as part of their decision-making.

The pricing for buyers is the most attractive it has been in the last 10 years, according to Hassanally. 'While discounts on LP secondaries have narrowed from their widest points in 2022 and 2023, pricing remains attractive for buyers. We anticipate that will continue through this year and potentially into 2026 as well.'

Given the attractive pricing and competitive fundraising environment, investors will rely on data, technology and partners to find secondary managers that align with their needs. These managers should be able to conduct rigorous due diligence to assess fund track records and select appropriate portfolios.

→ **Without data-driven insights and modern technology, LPs risk mispricing secondaries, misjudging pacing plans, or missing liquidity windows. See how Preqin helps investors navigate the secondaries market with clarity and precision.**

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