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Secondaries in 2025

Our report on the secondaries market in 2025 examines recent growth in both LP-led and GP-led transactions and considers fundraising and performance from private equity to infrastructure

- Since 2022, the soft exit environment has been a boon to the secondaries market. We expect the LP-led market to deepen, and GP-led secondaries are set to benefit from further growth
- Continuation funds have become mainstream in private equity, representing almost half of the secondaries market
- Although private equity secondaries dominate by share of AUM, infrastructure secondaries are forecast to experience faster AUM growth and higher performance in 2023–2029F

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Secondaries: Past, present, future

LP-led secondaries offer much-needed liquidity, while GP-led secondaries also facilitate DPI and provide diversification



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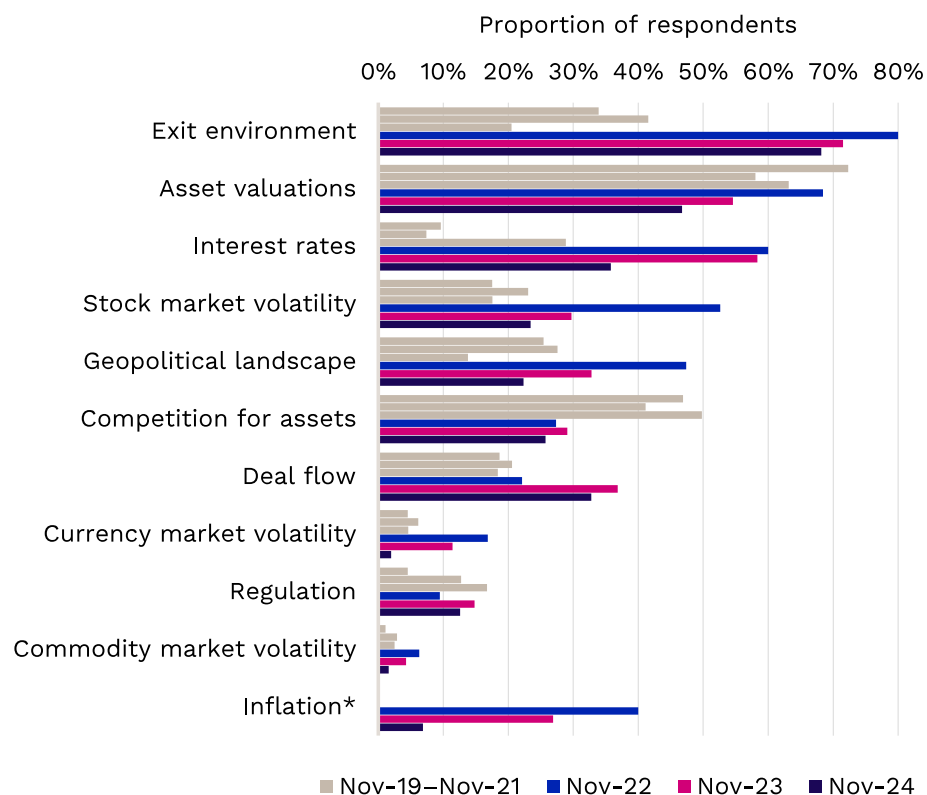
Investor concern over the private equity exit environment¹ is at historically elevated levels (Fig. 1.1).² As interest rates rose in 2022 and remained elevated, the exit environment soured, leaving investors with fund extensions rather than distributions.

The aggregate exit value for the trailing four quarters ending Q1 2025 (\$400.8bn) is about 10% lower than the period Q2 2019–Q1 2020 (\$440.8 bn) according to Preqin data. However, the average exit size in Q1 2025 (\$818.6mn) is one of the highest on record and about 16% higher than it was five years ago (Fig. 1.2). In other words, fewer but larger exits are taking place. Over the same five-year horizon, secondary buyouts and trade sales have risen as a portion of exits while IPOs and bankruptcies have fallen, suggesting a shifting but not entirely unhealthy market.

Investors have turned to secondaries for two reasons: first, to provide liquidity via sales (LP-led); second, to provide superior DPI³ vis-à-vis primaries via acquisitions (GP-led).

Fig. 1.1: Private equity exit environment has been the top concern for three years

Investors were asked: ‘What are the key challenges for return generation in the next 12 months?’



*Inflation was included as a challenge in 2022 Source: Preqin Investor Surveys, November 2019–2024

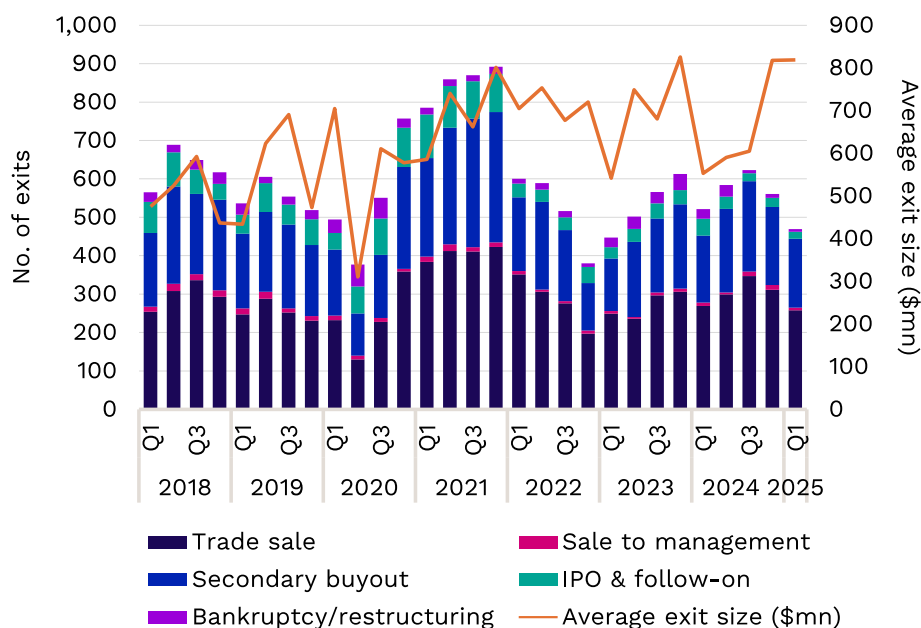
1 For a fuller discussion on the private equity environment, see our Private Equity Q1 2025: Preqin Quarterly Update (<https://www.preqin.com/insights/research/quarterly-updates/private-equity-q1-2025-preqin-quarterly-update>) and Preqin 2025 Global Report: Private Equity (<https://www.preqin.com/insights/global-reports/2025-private-equity>)

2 <https://www.preqin.com/insights/research/investor-outlooks/investor-outlook-h1-2025>

3 More on DPI in the next chapter

Fig. 1.2: Buyout exits fewer but larger on average

Quarterly volume and average value of buyout exits, by type



Source: Preqin, data as of April 2025

Secondaries can be broadly divided into two groups: LP-led and GP-led. In this chapter, we compare LP-led and GP-led secondaries, consider the evolution of the secondaries market to date, and identify emerging trends that may shape the market in the future.

The evolution of secondaries

The genesis of secondaries can be traced back decades to LP-led transactions. LPs seeking liquidity or rebalancing portfolios could sell part or all of their interest in a fund on the secondaries market. They could be seeking liquidity to cover liabilities (for example, if they are an insurance company or pension). Meanwhile, rebalancing could be the result of strategic asset allocation updates or the denominator effect.⁴ Further, otherwise high-quality assets could be put on the market as an LP seeks to reduce the number of manager relationships or, in the event a new CIO, decides on a new direction for the portfolio.

The benefits to a buyer of these fund interests would be that the interest would typically sell at a discount to NAV and the assets held in the fund interests may also be diversified across GP, vintage, and sector, and de-risked (compared with primary deals). Nowadays, LP-led transactions can relate to a single asset or a slice of a portfolio; the secondaries market has matured and deepened, and there are willing buyers for both.

GP-led secondaries illustrate a natural evolution of private markets.⁵ Ten or so years ago, they were referred to as “fund restructurings.” In a GP-led multi-asset secondaries fund, a sponsor assembles a portfolio of primary fund interests of various vintages and markets them in a commingled structure. Often the underlying funds are in year 6, 7, or 8, but younger and older funds could be included as GPs identify buying opportunities.

⁴ The denominator effect can occur when public equities shift in value and private markets lag, skewing investors’ relative private markets allocation

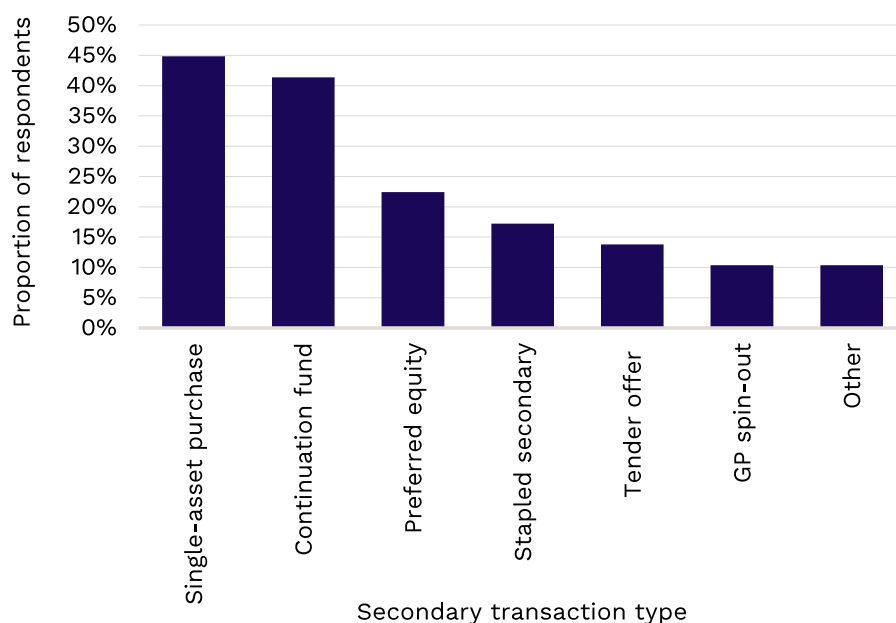
⁵ GP-led private equity secondaries are analyzed in chapter 3

This style of secondaries fund offers instant vintage and manager diversification, which can be especially valuable to investors who are beginning to allocate to a given private markets asset class. In consideration of the advantages, the secondary manager charges management fees, carry, and partnership expenses, but these fees are typically lower than those of primary funds, by as much as 50%.⁶

Secondaries represent a growing field in private markets: 38% of investors surveyed in November 2024 indicated their firm participates in secondaries, with 36% of those participants acting as both buyers and sellers. For those respondents that participate in secondaries, single-asset purchases and continuation funds (sometimes called continuation vehicles or CVs) were the top two types of secondary transaction completed in the past year (Fig. 1.3).

Fig. 1.3: Single-asset purchases and continuation funds lead secondaries transactions

Investors* were asked: ‘Did you complete any of the following secondary market transactions types in the last 12 months?’



*Investors who participate in secondaries

Source: Preqin Investor Survey, November 2024

Emerging trends in secondaries: retail appeal and endowments’ use of secondaries

With attention on retail access to private markets, secondaries offer a natural fit either for the affluent segment or for defined contribution retirement funds, such as 401(k)s in the US. The benefits include J-curve mitigation, manager and vintage diversification, and the opportunity to become familiar with the managers of underlying funds ahead of making a commitment to that manager’s primary fund. This could be especially attractive to retail investors outside of a defined contribution retirement plan, as one commitment to one secondaries fund could be considerably smaller than a combined commitment to various primary funds across various managers and various vintages.

⁶ See the fees chapter of the Secondaries in 2024 report – <https://www.preqin.com/insights/research/sector-in-focus/secondaries-in-2024>

Political shifts are also influencing secondary activity. In 2025, the threat of US federal funding changes and tax changes have been linked in media reports to the sale of private equity LP interests by US university endowments.⁷ Proposed federal funding changes mean universities could receive less grant money⁸ and therefore would need to support operations, fund research, and offer scholarships from their own coffers. Changes in tax laws⁹ could mean university endowments face higher tax burdens. To avoid this, endowments could resort to selling portfolio interests.

Potential liquidity events in the market or an unexpected need to meet liabilities are likely to reinforce the strategic significance of the secondaries market for large institutional investors.

Finally, the selling of private equity interests on the secondary market can be done programmatically, that is, on a regular cadence, as a way to reshape a portfolio. Investments could be put on the market for reasons stated above. In this case, the timing is less of an immediate concern and the exercise is more of a periodic pruning. The regular cadence gives the LP the operational advantage of a longer runway for review and potentially less pressure to sell at an unfavorable price.

Over the past decade, secondaries have developed from an uncommon transaction to a recognized tool. Over the next few years, we expect secondaries to play an increasingly prominent role in the ecosystem of private markets, across institutional and retail channels.

7 <https://www.secondariesinvestor.com/yale-sells-up-to-6bn-of-its-pe-portfolio-amid-federal-funding-challenge/>

8 <https://www.reuters.com/world/us/harvards-us-funded-defense-projects-totaled-180-million-recent-years-study-shows-2025-05-30/>

9 <https://www.forbes.com/sites/michaelnietzel/2025/06/02/these-small-colleges-would-be-hit-hard-by-trumps-new-endowment-tax/>

Secondaries beyond private equity

Examining secondaries by asset class: private equity secondaries dominate in performance but infrastructure forecast to edge higher



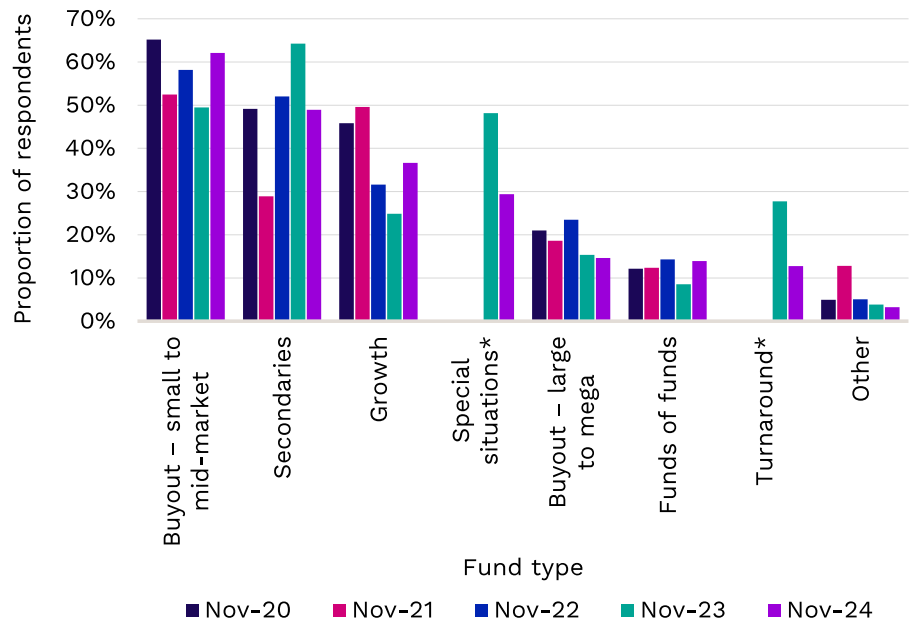
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As of December 2023, private equity secondaries¹⁰ comprised 89% of total secondaries AUM, or \$462.5bn.¹¹ In our November 2024 survey, 49% of respondents who invest in private equity placed secondaries among fund types presenting the best opportunities, second to small- to mid-market buyout strategies in proportion of respondents (Fig. 2.1). By contrast, investors in real estate and infrastructure ranked secondaries seventh and sixth, respectively, out of nine categories.

In private debt, secondaries ranked second among emerging private debt strategies in terms of the level of investor interest. However, the relatively short investment horizon (six years on average) for private debt funds – particularly direct lending funds – has raised some questions in conversations with Preqin clients around how much room private debt secondaries could have for growth.

Fig. 2.1: Secondaries consistently among most attractive private equity fund types since 2022

Private equity investors were asked: ‘Which fund types present the best opportunities?’



Source: Preqin Investor Surveys, November 2020–November 2024

*Special situations and turnaround added to survey options in 2023

¹⁰ We combine private equity and VC secondaries in private equity secondaries because funds commonly combine these asset classes in the same secondaries fund

¹¹ See Future of Alternatives 2029. The methodology used for these AUM calculations estimates the total market, which is larger than a simple tally of funds on Preqin Pro. Preqin Pro data is the primary input into the Future of Alternatives methodology – <https://www.preqin.com/insights/research/reports/future-of-alternatives-2029>

In terms of IRR, private equity primaries outperformed private equity secondaries between 2017 and 2023 by about 1.5 percentage points (ppts) (Fig. 2.2). Our forecast for 2023–2029F suggests this may reverse, with the latter taking the lead over the next six-year horizon by about 0.9 ppts. Infrastructure secondaries is forecast to lead all secondaries strategies in the same period, with 14.42% IRR – about 3.5 ppts ahead of infrastructure as a whole in the same time horizon and up 2.6 ppts from the prior six-year horizon.

Infrastructure secondaries also lead in their forecast AUM growth rate of 14.54% CAGR between 2023 and 2029F, ahead of both private equity secondaries (13.34%) and infrastructure as whole (10.81%). Investor demand corroborates this forecast growth in AUM: according to November 2024 Investor Survey results, infrastructure funds rank second in investors’ near-term capital commitment and long-term asset allocation plans, trailing only private equity.¹²

Fig. 2.2: Infrastructure secondaries forecast to outperform

IRR* comparison by asset class

Strategy	IRR 2017–2023	IRR 2020–2023	IRR 2023–2029F
Private equity – secondaries	13.96%	15.67%	14.36%
Private equity (all strategies)**	15.45%	14.87%	13.44%
Real estate – secondaries***	3.82%	6.82%	7.43%
Real estate (all strategies)	7.03%	7.84%	9.29%
Infrastructure – secondaries	11.81%	12.00%	14.42%
Infrastructure (all strategies)	9.18%	12.37%	10.92%

*When we calculate performance we exclude funds denominated in yuan renminbi. Values relate to end of year Source: Preqin. All figures are nominal

**To avoid double-counting, asset class aggregates exclude secondaries and funds of funds

***Excludes APAC real estate secondaries

Since 2021, private equity secondaries fundraising has been robust, with an average of 61 funds and \$58bn raised each year through 2024 (Fig. 2.3). This is all the more remarkable given the recent headwinds in private markets fundraising.¹³ By contrast, over the same period, real estate secondaries have averaged three funds and \$3.1bn raised per year.

Infrastructure secondaries are a relatively new option, with the first dedicated fund raised in 2010. Since 2021, only one or two infrastructure secondaries funds have been raised each year, averaging \$3.4bn. Infrastructure primary funds are on average the largest (by fund size) of any asset class and the fewest in number, making infrastructure secondaries an operationally trickier endeavor in terms of access and manager due diligence, and potentially driving higher demand for their diversification benefits. In an asset class notorious for its large ticket sizes, investors in infrastructure secondaries may be able to access a large swath of funds with a lower commitment.¹⁴

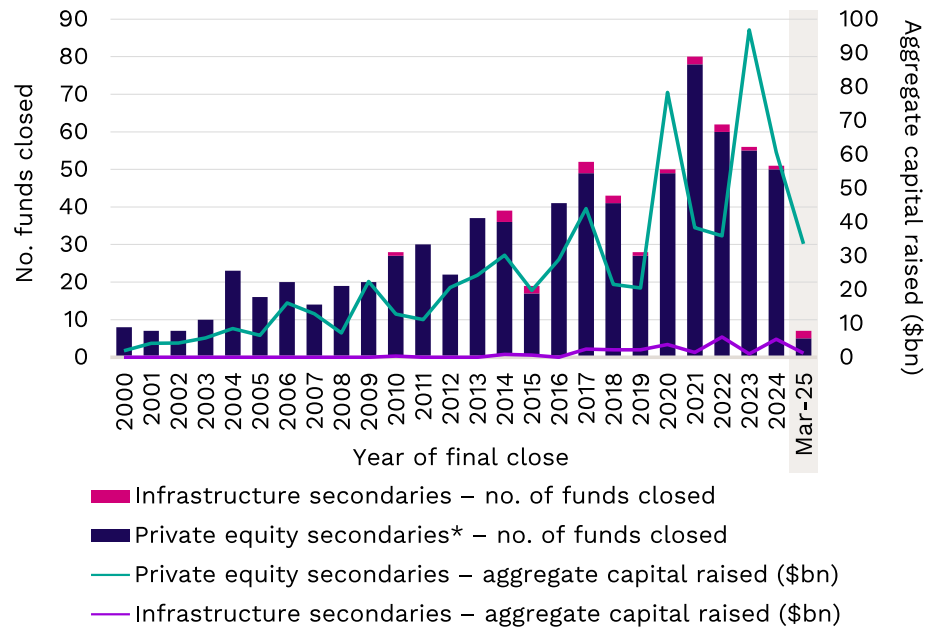
12 See Investor Outlook: H1 2025. Infrastructure ranks second when summing investor responses of “More capital” and “Same amount of capital” to the question “How much capital will you commit in the next 12 months” and “Increase allocation” or “Maintain allocation” to the question “How will you allocate over the longer term.” Infrastructure is ranked against four other private market asset classes

13 See our 2025 global reports across all asset classes

14 Infrastructure funds on average have the highest LP minimum commitment size. The median in infrastructure is \$10mn for developing and established managers’ funds in contrast to private equity’s \$5mn for developing and established managers’ funds. For more information, see Fund Terms Advisor 2024 – <https://www.preqin.com/insights/research/reports/the-2024-preqin-private-capital-fund-terms-advisor>

Fig. 2.3: Private equity secondaries have historically eclipsed infrastructure secondaries

Global secondaries market fundraising by asset class



Source: Preqin, data as of April 2025

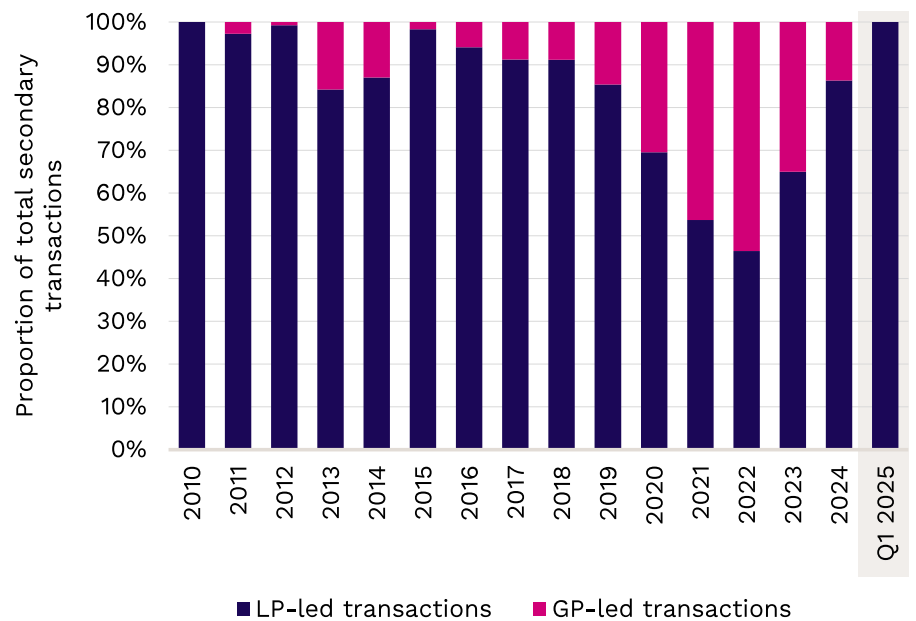
*Private equity secondaries combines private equity and venture capital

Buying opportunities in VC and real estate secondaries

Historically, the ratio of LP-led to GP-led secondary transactions has surged in times of market stress. Past LP-led peaks include 2010–2012 and 2015–2016. More recently, LP-led transactions saw an upswing to 86% of secondary transactions in 2024 after an all-time low in 2022 of 46%. Figure 2.4 tracks the number of transactions (where a seller

Fig. 2.4: Recent uptick in LP-led transactions

Proportion of LP-led and GP-led secondary transactions*



*Transactions for which a seller has been identified

Source: Preqin, data as of April 2025

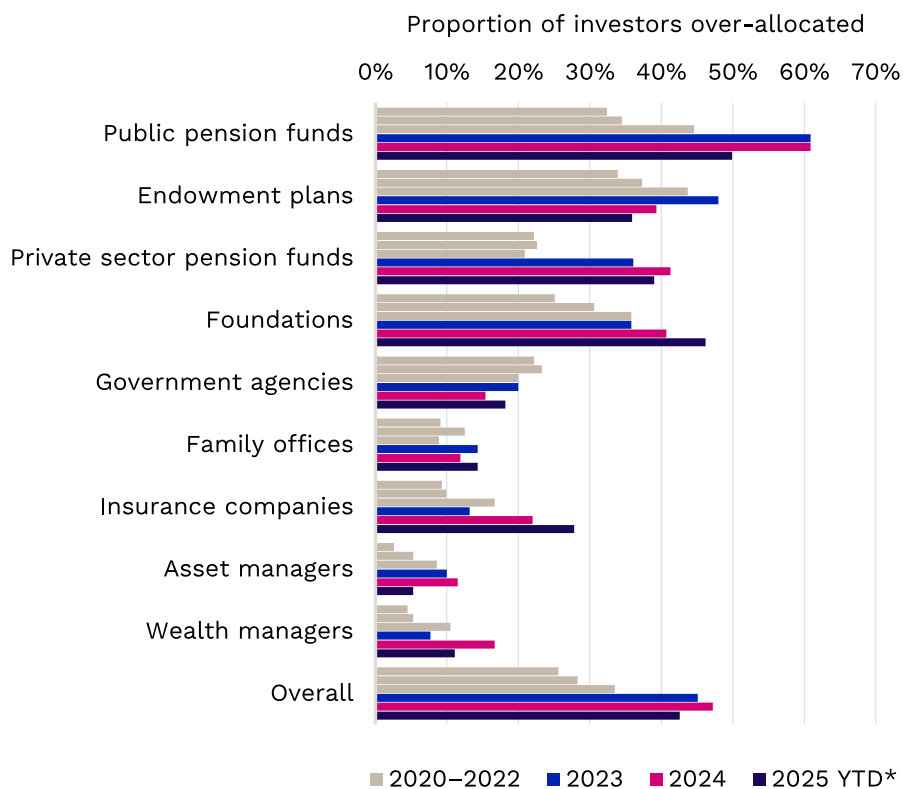
has been identified) rather than deal size. Because GP-led transactions are often much larger than LP-led, a measure by value could mean GP-led transactions are greater than LP-led, especially as GP-led secondaries funds soar in size.¹⁵

Overallocation to an asset class – a driver of LP-led selling – appears to have peaked in 2023–2024 as public markets gyrated lower and has since moderated (Fig. 2.5). Nonetheless, a high proportion of public and private pensions, endowments and foundations, and insurance companies are overallocated to private equity, ranging from 28% of insurance companies to 50% of public pension plans. As observed in prior years,¹⁶ the overallocation is more pressing in North America than Europe, with 41% of investors in North America overallocated to private equity compared with 27% in Europe as of April 2025.

According to data from Preqin’s Investor Survey in November 2024, the most-discounted buying opportunities for secondaries market transactions over the previous 12 months could be found in VC: early-stage VC and late-stage VC traded at 69% of NAV or lower in 82% and 75% of cases, respectively (Fig. 2.6). On the other end of the spectrum, infrastructure secondary deals transacted at 80% of NAV or higher in 58% of cases. Private debt transactions were highly fragmented, spanning NAVs from less than 50% to just under par. Real estate transactions were distinctively bifurcated; they simultaneously had the largest share (22%) of transactions at or above par and a significant proportion (33%) below 50%.

Fig. 2.5: Institutional investor over-allocation remains elevated

Proportion of investors over-allocated to private equity by type and year



*YTD to April 2025

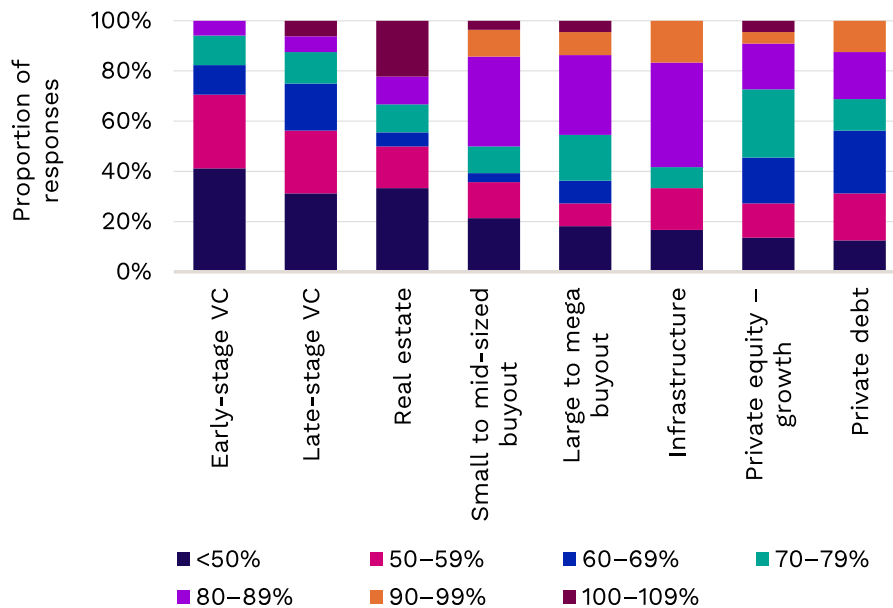
Source: Preqin Insights+, data as of April 2025

15 More on fundraising in GP-led secondaries in chapter 3

16 <https://www.preqin.com/insights/research/sector-in-focus/secondaries-in-2024>

Fig. 2.6: Highest secondaries discounts seen in VC and real estate

Investors were asked: ‘On average, what percentage of fund NAV were the following purchased/sold for, in the last 12 months on the secondary market?’



Source: Preqin Investor Survey, November 2024

Secondaries outlook by asset class

As long as exits remain slow, private equity secondaries will likely remain a high-transaction space; the benefits of liquidity and timely distributions will likely spur continued growth in private equity LP-led and GP-led secondaries. Infrastructure secondaries could prove popular given investor sentiment towards the asset class, but the characteristics of the infrastructure secondaries market could mean little choice for investors.

Real estate secondaries may have the largest upside as this asset class recovers over the longer term. Newer entrants to private markets could bolster interest as they seek to build portfolios with vintage and manager diversification.

Private equity GP-led secondaries

GP-led private equity secondaries are a bright spot in private equity fundraising, with mega funds shining brightest



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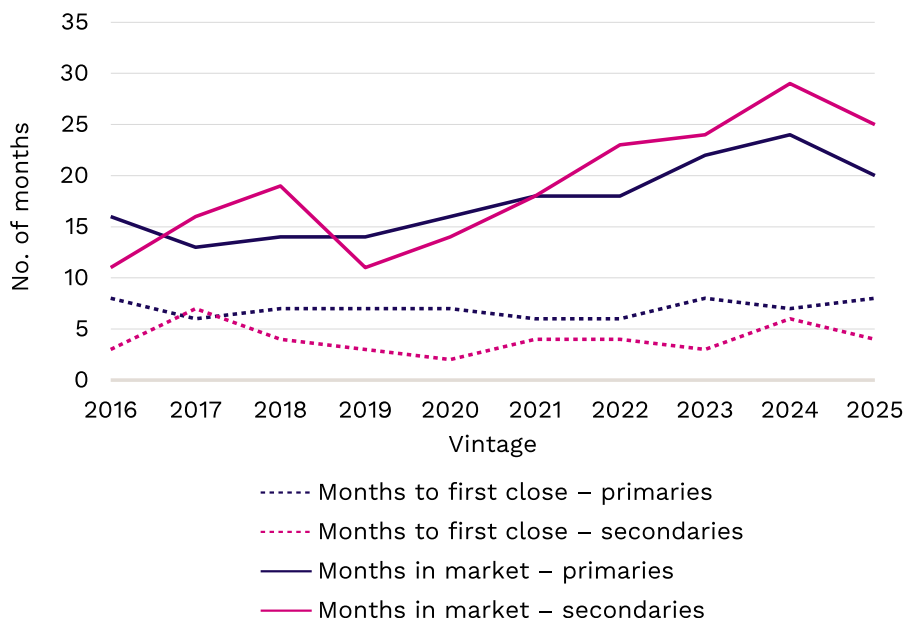
This chapter explores factors driving the growth in fundraising for GP-led secondaries. We set out the supply- and demand-related factors that have contributed to an increased pace of allocations to commingled private equity secondaries relative to private equity primary funds.^{17 18}

For both primaries and secondaries, private equity funds’ mean time to close has increased considerably over time: in 2023 and 2024, the average fund in market had been raising for about two years – almost twice as long as the average 2016- or 2017-vintage fund (Fig. 3.1).

However, Preqin data suggests fundraising in secondaries is a relatively easy prospect for fund managers; between 2016 and 2024, the average fund size for private equity secondaries has ranged between 147% and 257% of the average primary fund size (see Fig. 3.8 in the data pack), and secondaries have historically beaten their target fund size by close to 20%. Secondaries fund managers have a few factors on their side: supply at a discount to premium,¹⁹ demand,²⁰ and scale.

Fig. 3.1: Fundraising timelines similar for private equity primaries and secondaries

Private equity primaries and secondaries mean fundraising timelines



Source: Preqin, data as of May 2025

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

18 See chapter 4 for a focused analysis of continuation funds

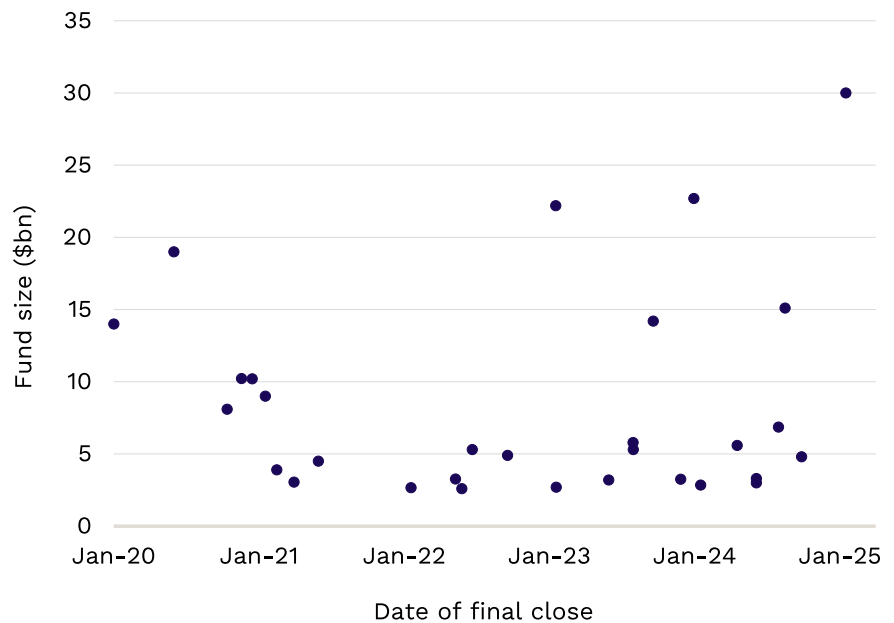
19 See chapter 2

20 Ibid

Across private markets, mega fund managers have attracted headlines for closing increasingly large funds. Private equity secondaries are no different: one manager closed a \$30bn fund in January 2025 that was 58% larger than the fund it closed in June 2020, and fund sizes in general are tracking upwards (Fig. 3.2). In 2023 and 2024, other mega fund managers in the private equity secondaries space closed funds that ranged between 38% and 86% larger than the funds they closed in 2020–2021.

Fig. 3.2: Size of mega funds tracking upwards

Thirty largest private equity secondary funds closed since 2020



Source: Preqin, data as of April 2025

Although secondaries fund sizes could continue to increase, it seems unlikely they would dwarf those of mega buyout funds. The increased manager concentration could mean less negotiating power for LPs. Further, as LPs prioritize sector expertise, there could be some appetite for specialist secondaries funds, which could be a boon for managers of smaller fund sizes.

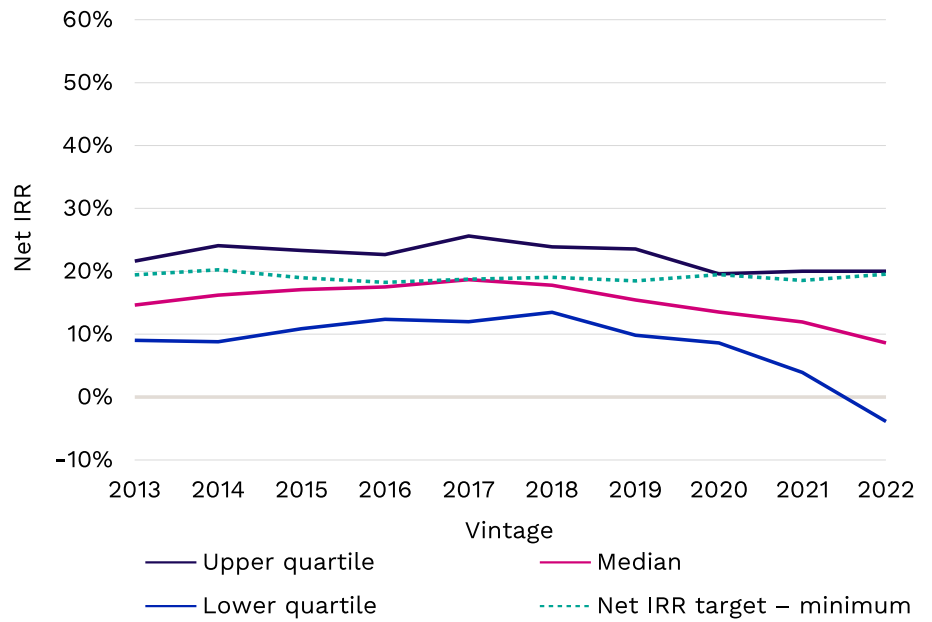
The ‘portfolio in a box’: a double-edged sword and diversification play

Aside from being an attractive exit option (for both GPs and LPs), secondaries provide LPs with diversification benefits, including access to a wider range of underlying assets, vintages, and managers, because of their much larger pool of portfolio companies (potentially thousands in secondaries versus scores in primaries).

Secondaries have historically had a lower net IRR target (15% median IRR for vintages 2010 through 2022) than primaries (20% median IRR over the same period) (Figs. 3.3 and 3.4). While lower may not initially sound more appealing, on average secondaries recorded a lower dispersion of ex-post returns: the interquartile range of net IRR actually earned by 2013–2022 vintage secondaries funds is considerably smaller than that of primaries. Although the median target net IRR has, for vintages 2019–2022, been about five ppts lower for secondaries than for primaries, our data suggests that secondaries funds are more likely to come close to their target, without overshooting or underachieving. An important contributor to the lower IRR is the nature of the assets: partially de-risked and more mature.

Fig. 3.3: Private equity primaries' IRR is widely dispersed around target minimum

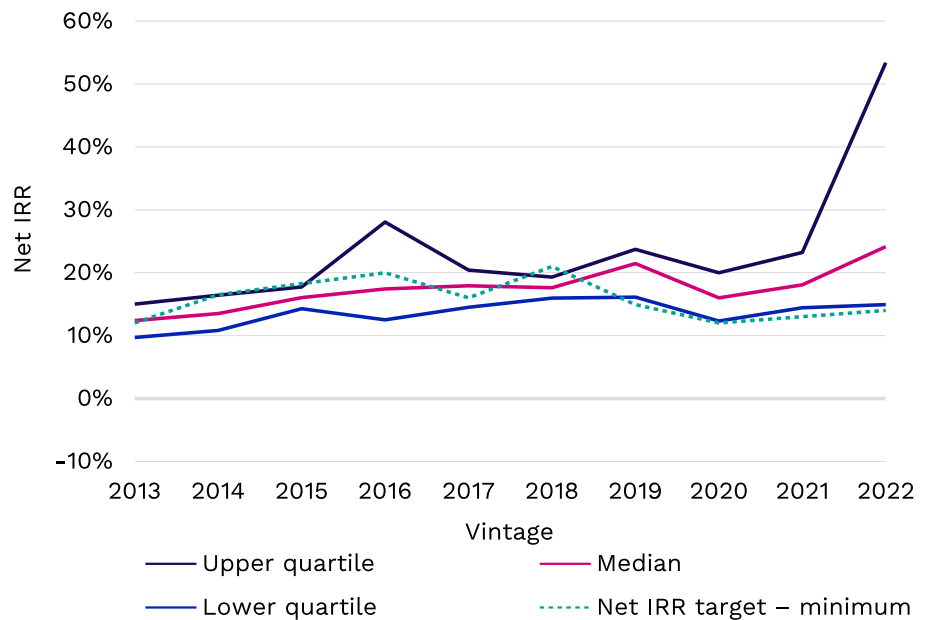
Net IRR of private equity primaries, by vintage



Source: Preqin, data as of May 2025

Fig. 3.4: Private equity secondaries' IRR is narrowly dispersed around target minimum

Net IRR of private equity secondaries, by vintage

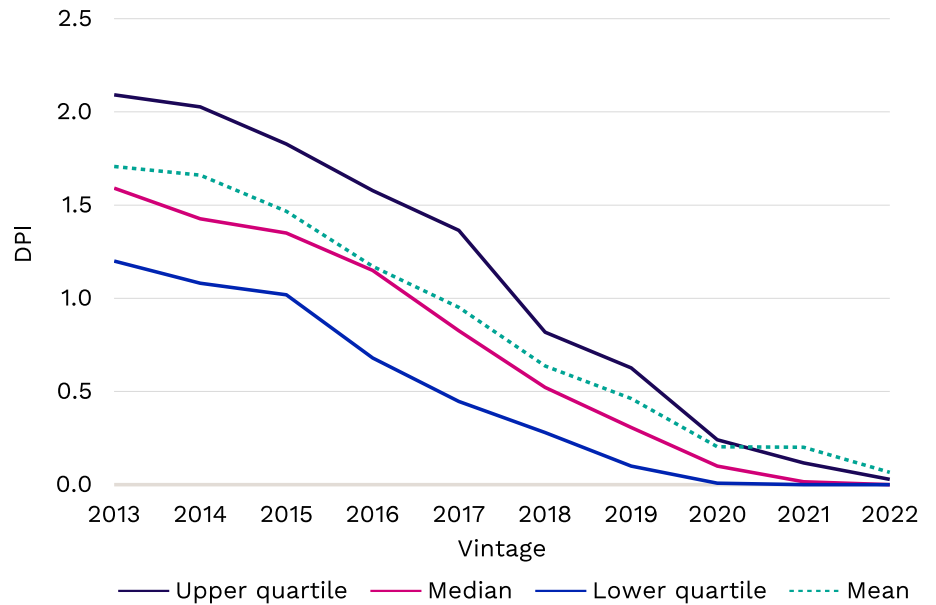


Source: Preqin, data as of May 20, 2025

In the current distribution drought, many investors are more focused on DPI than IRR. For vintages 2016 through 2019, DPI for top-quartile secondaries funds was lower than the DPI of top-performing primaries funds. However, for lower-quartile funds, secondaries had a higher DPI than primary funds (Figs. 3.5 and 3.6). Median DPI is largely comparable between secondaries and primaries across 2016–2019 vintages – plus or minus 0.12.

Fig. 3.5: Earlier vintages of primaries funds have higher median DPI than secondaries...

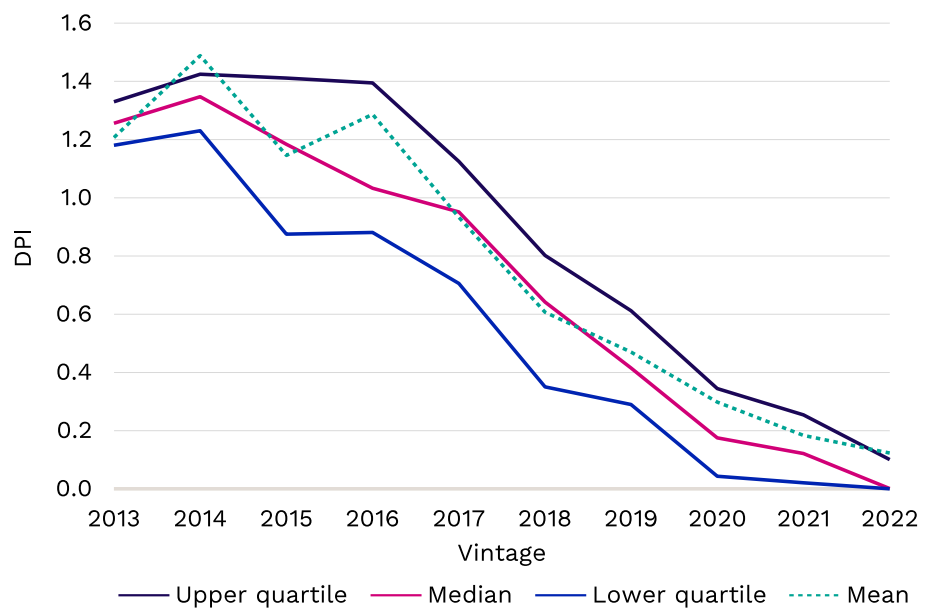
DPI of private equity primaries, by vintage



Source: Preqin, data as of May 20, 2025

Fig. 3.6: ...while secondaries DPI has narrower dispersion

DPI of private equity secondaries, by vintage



Source: Preqin, data as of May 20, 2025

In more recent vintages, secondaries' DPI outperforms that of primaries across quartiles. This is a function of secondaries' structure: the underlying holdings could be earlier vintages and therefore in a position to provide cashflows. While early cashflow is a selling point, investors may see a longer-term compromise in DPI, based on historical data. Again, this relates the age and de-risked nature of the assets.

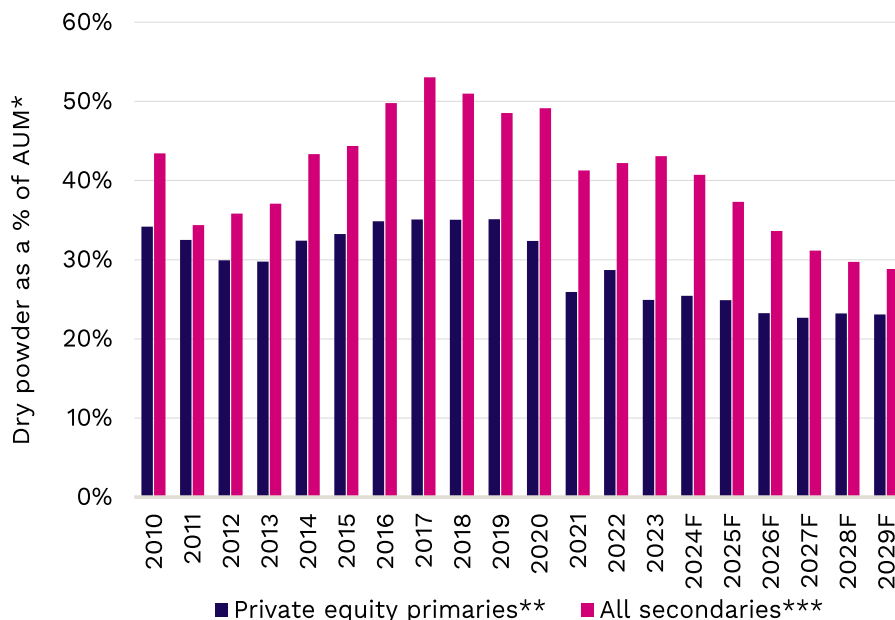
Finally, we examine a third performance measure: TVPI. For vintages 2013 through 2022, both mean and median TVPI vary more for primaries (1.30–2.29 mean and 1.11–1.88 median) than secondaries (1.35–1.91 mean and 1.29–1.78 median) (see Figs. 3.9 and 3.10 in the data pack). For vintages 2013–2018, the median primaries fund had a higher TVPI than the median secondaries fund, but later-vintage (2019–2022) secondaries funds outperformed primaries. For secondaries, TVPI is higher earlier in a fund's life. As with DPI, this is a function of the vintage diversification baked into secondaries funds.

Investor concerns: reconciling appetite for and pricing of underlying assets

One of the biggest concerns for investors conducting secondaries due diligence is the price and quality of the underlying assets. This is especially true for a pool of assets that can, in the case of commingled GP-led secondaries funds, be two layers removed from an LP. Given the unusual recent exit environment, the gap between strongly and weakly performing assets on the market could widen. Furthermore, in the wake of strong fundraising, there is a high amount of dry powder available in secondaries: \$224bn (or 43% of total secondaries AUM) as of 2023 (Fig. 3.7). This is significantly higher than private equity dry powder as a percentage of AUM at the same date (25%). With elevated levels of dry powder comes a risk that managers could put capital to work hastily rather than thoughtfully, with negative implications for LPs.

Fig. 3.7: Proportion of dry powder higher for secondaries than private equity primaries

Dry powder as a proportion of AUM* for private equity primaries and all secondaries funds



*Excludes funds denominated in yuan renminbi
 **Excludes funds of funds
 ***Excludes APAC real estate secondaries

Source: Preqin. All figures are nominal

Another challenge is determining a fair price for an asset.²¹ Asset prices can range from less than 50% of NAV to over 100% (see Fig. 2.6 in chapter 2). In buyout, a plurality of investors indicated that transactions took place at 80–89% of NAV in the 12 months up to November 2024. In growth, the plurality reported a higher discount: 70–79% of NAV.²²

According to industry experts, older assets are marked down more than younger assets. While sellers may not welcome discounts, an asset marked down in NAV could nevertheless be sold at a profit as long as it is sold above its original purchase price. As the volume of transactions has increased, along with the number of potential buyers, pricing should continue to become more transparent and discounts – though still wide – more reflective of asset quality than any market dislocation or wider liquidity event.

21 Underlying positions in GP-led secondaries commingled funds could come from LPs selling portions of their portfolios

22 This data comes from Preqin's Investor Survey, November 2024. Data from brokers such as Campbell Lutyens, Evercore, Greenhill, Jeffries, and Lazard show buyout LP-led pricing in a range from 85 to 95% of NAV over the past 12 months

Continuation funds go mainstream

Growth of continuation funds likely to continue, fueled by tough exit market



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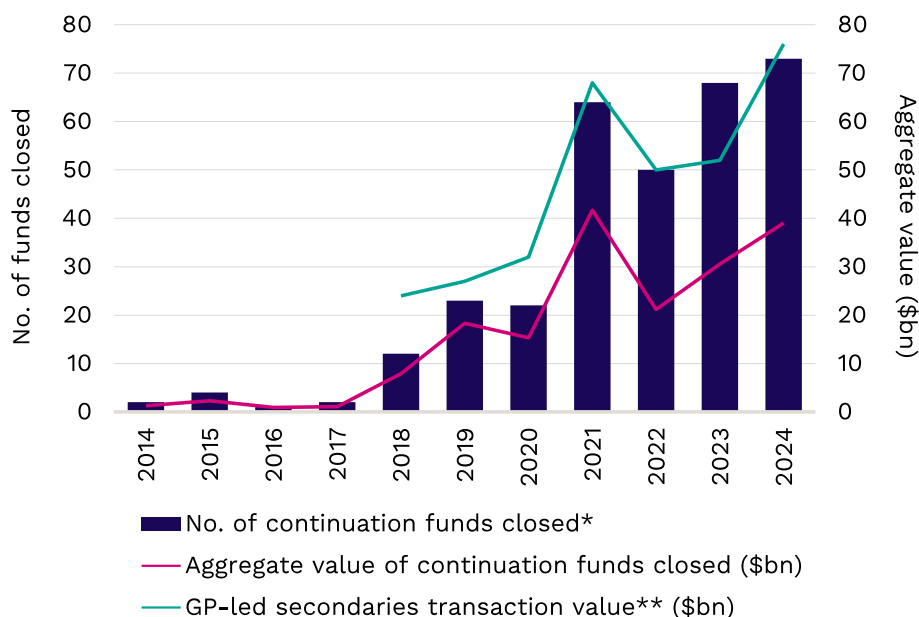
Over the past decade, continuation funds and other GP-led secondaries have evolved from niche liquidity solutions to mainstream financial instruments. This transformation has been driven by market dynamics, investor demand, and the increasing sophistication of secondary transactions.

Continuation funds have grown to comprise around half of the secondaries market

Figure 4.1 illustrates the rapid growth of continuation funds post-2020. We used both Preqin continuation fund data, with 345 closed and liquidated funds (including 85 continuation funds with no size recorded), and Houlihan Lokey’s continuation fund transaction value data.²³ Both datasets show similar growth trajectory starting in 2020.

Fig. 4.1: Growth within continuation fund universe picked up from 2020

Global fundraising and transaction value for continuation funds



Sources: Preqin, Houlihan Lokey. Preqin data as of May 2025

*Comprises closed and liquidated funds
 **Houlihan Lokey data, as of March 2025

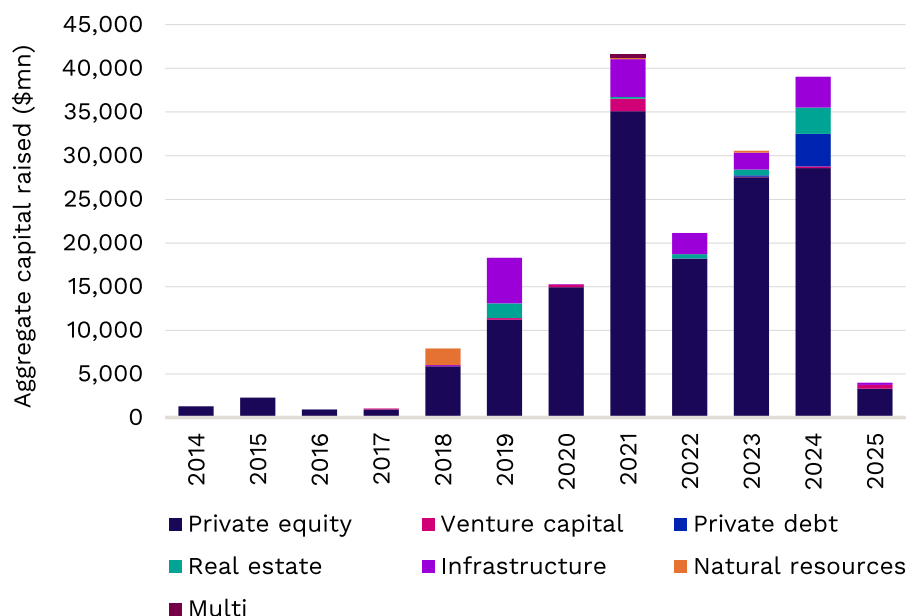
23 <https://cdn.hl.com/pdf/2025/continuation-funds-and-cross-fund-market-insights-march-2025.pdf>

In 2024, the secondaries market reached a record \$160 billion in transaction value according to Schroders Capital,^{24 25} reflecting the growing demand for liquidity and alternative exit strategies. According to the same sources, continuation funds accounted for 45–50% of secondaries segment deal values each year from 2020. Lazard estimated in its 2024 secondary market report²⁶ that continuation funds accounted for approximately 79% of total GP-led secondaries volume in 2024, which means that other transaction types – preferred equity or other structured solutions, strip sales, or tender offers – accounted for just over 20% of GP-led secondary transactions.

We identified 401 continuation funds on Preqin Pro with vintage years between 2006 and 2025. Of these, 340 funds were closed (with an aggregate value of \$182.7bn), 56 were raising capital, and five were liquidated (see Fig. 4.2 in the data pack). The majority of continuation funds are within private equity, which is also the largest alternatives asset class by aggregate value. Infrastructure is the second-largest asset class by capital raised for continuation funds, but it is much smaller in comparison (Fig. 4.3).

Fig. 4.3: Private equity dominates within continuation funds

Global fundraising for continuation funds, by asset class



Source: Preqin, data as of May 2025

Small funds (<\$500m fund size) are the most numerous, comprising 55% of the total 255 funds that have a reported size available on Preqin Pro (Fig. 4.4a). However, larger funds account for a substantial share of aggregate value: according to Preqin data at the time of writing, the largest ten funds (representing less than 3% of the total number of closed funds) have an aggregate value of \$33.7bn, accounting for circa 18% of the \$185.2bn aggregate value of closed continuation funds.

While North America-focused continuation funds have led (or co-led) the market by number of funds closed for all years under review, some private capital rotation towards Europe in 2024 led to a jump in the number of Europe-focused continuation funds closing last year (Fig. 4.5).

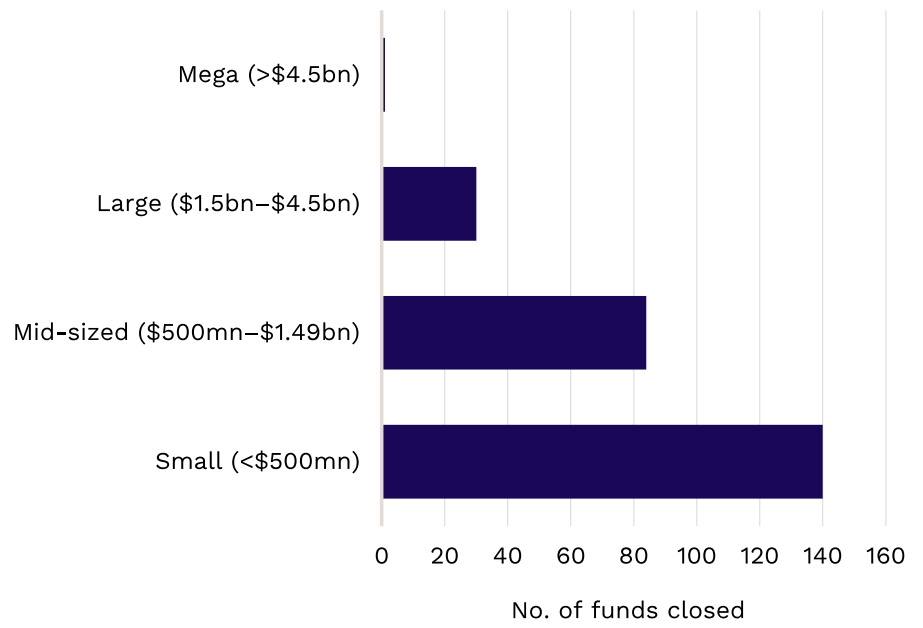
24 <https://www.schroders.com/en-gb/uk/institutional/insights/why-the-lower-mid-market-offers-compelling-continuation-fund-opportunities>

25 Schroders Capital used research and data from Jefferies, Greenhill, Evercore, and Lazard

26 <https://www.lazard.com/research-insights/lazard-2024-secondary-market-report/>

Fig. 4.4a: Small funds are most numerous

Number of continuation funds* closed, by fund size

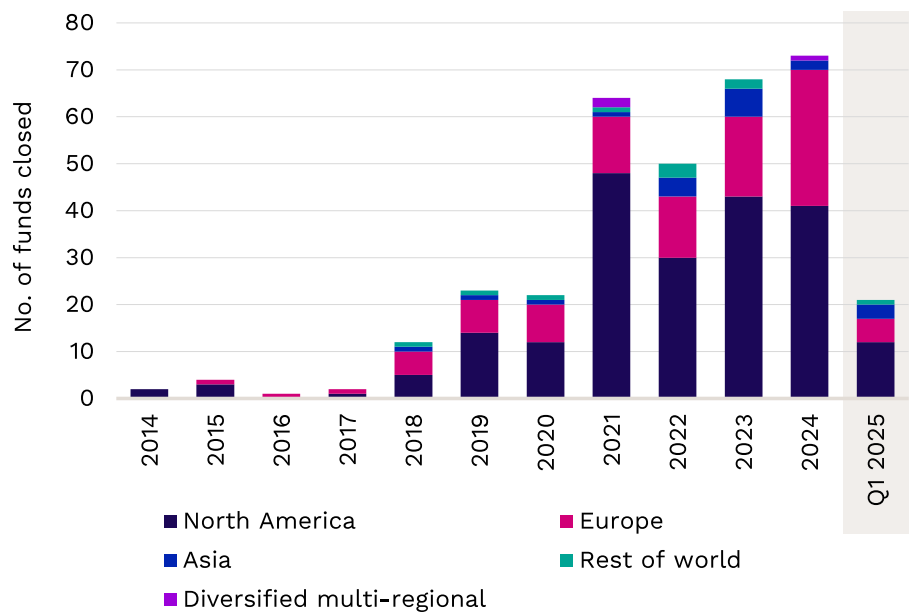


*Excludes funds with no close size in Preqin data

Source: Preqin, data as of May 2025

Fig. 4.5: North America-focused funds dominate

Global count of continuation funds closed, by region of focus



Source: Preqin, data as of May 2025

From a rarely used liquidity tool into mainstream financing vehicles

A continuation fund is set up by a GP to buy one or more assets in their existing portfolio and move them into a new vehicle. Continuation funds form part of the secondaries market because they involve buying an asset from another private investor (usually the GP itself). The rise of continuation funds has been driven by GPs' desire to extend value creation, LPs' liquidity needs, and increased investor appetite for secondary transactions. Although all these drivers worked simultaneously on the market, the key driver for continuation funds' growth has arguably been the tough exit market, which prompted GPs to look for a credible solution that would also suit LPs.

Before 2018, GP-led secondary deals were relatively rare and primarily used in cases where, because of market or regulatory issues, managers were struggling to exit assets within 3–7 years. Continuation funds, created on the back of these GP-led deals, were initially seen as tools for managing underperforming assets. GPs used continuation funds to extend investment periods for businesses they considered to be solid companies that, despite temporary disruptions, had growth prospects and foreseeable exit options.

As private equity matured, managers began to view continuation funds as a way to extend the lifecycle of high-performing assets, allowing GPs to retain valuable companies and offer liquidity to existing LPs. LPs can decide whether to take cash on their current investments or roll into a continuation fund. According to conversations with Preqin clients, the proportion of LPs who decide to roll spans a fairly wide range (10–40%), typically with a higher proportion for smaller funds. The shift in use cases for continuation funds – from saving underperforming assets to retaining high-performing assets – has led to broader acceptance of GP-led secondaries as a mainstream financial tool.

Range of factors can influence LP interest in a continuation fund

Some investors remain skeptical about potential conflicts of interest in GP-led secondaries. When structuring these transactions, GPs are reinvesting in assets that they previously owned (while new LPs might come in as well, joining those LPs who elected to roll). Transparency and governance are critical to ensuring that these deals are structured fairly and align with investor interests.

GPs often work with one or two LPs who are interested in entering into a forthcoming continuation fund and who will, alongside the GP, conduct thorough due diligence and valuation of the continuation fund's asset(s). These lead LPs tend to take a substantial share in the fund, and the remainder may be distributed via a syndicate. Existing investors make a decision whether to stay or exit based on their preferences and the performance of the pre-continuation fund vehicle.

In our discussions, LPs report reluctance to roll if the continuation fund has a requirement for dry powder, which can range from 10% to 35% of the LP's commitment size. This additional dry powder would be for additional investment, expenses, and management fees. Other obstacles to LPs rolling include a requirement for a decision on the roll within 20 business days. LPs with outside legal counsel or subject to public pension regulations report needing 60–90 days to fully review.

LPs may further be reluctant to roll into a continuation fund if the NAV is small; it could be administratively easier for them to take liquidity than to manage a GP relationship, and treasury and legal aspects, for potentially limited upside. Objections can also be raised to status quo terms in the continuation fund, which replicate the terms in the original fund. For example, if the business case for a single-asset fund is that the returns will be higher, then it can be argued that the hurdle should be higher too.

Pricing can be complex. Unlike traditional secondary transactions, where LP stakes are typically sold at a discount, continuation funds often involve negotiations around valuation, future growth potential, and alignment of incentives between existing and new investors. GPs technically reinvest in assets already owned by them and a few LPs, but pricing is typically determined by new investors at arm's length. Existing LPs can either sell their stake or reinvest, ensuring fair pricing. Transactions often involve an independent third-party valuation to maintain transparency.

Continuation funds are structured to offer lower risk than traditional buyouts because of reduced blind pool uncertainty. Existing investors already know the company, management team, and growth plan, leading to more visibility of value creation strategies, and incoming LPs do thorough due diligence before agreeing to commit. In most cases, a GP is interested in disclosing their data about the company and giving prospective lead LPs access to the company’s management. To a large extent, this disclosure mitigates issues regarding information asymmetry, and it also provides all the participants with an independent valuation conducted by the prospective LP.

Single- and multi-asset continuation funds have evolved to address the needs of both GPs and LPs. Single-asset continuation funds extend the investment period for a single, (in the majority of cases) high-performing asset, allowing GPs to retain ownership beyond the typical fund lifecycle. Multi-asset continuation funds involve multiple assets from a GP’s portfolio, providing diversified exposure and spreading risk. This latter structure helps manage portfolio concentration. The almost equal split between single- and multi-asset continuation funds in our sample (Fig. 4.6), with a tilt towards multi-asset funds, indicates investor demand for both strategies and allows GPs to offer the best-fit structure.

Fig. 4.6: Just under half of continuation funds are single-asset funds

Breakdown of continuation funds

	Single-asset continuation funds	Multi-asset continuation funds	All closed continuation funds
All funds (vintages 2006–Q1 2025)	155	190	345
Proportion of funds	45%	55%	100%
Vintages 2020–Q1 2025	140	158	298
Proportion of funds	47%	53%	100%

Source: Preqin, data as of May 2025

In order to provide an incentive for LPs to invest into a continuation fund, GPs normally provide a carry realignment (reinvest carry into a continuation fund) and a fixed-term fee arrangement. For example, they may agree on a two-year full fee, a small reduction on the third year, and no management fee in the fourth year.²⁷

Solid performance from continuation funds on invested multiple and DPI basis

According to one GP’s experience and broader market data, continuation funds offer the potential for higher returns than standard LP-led secondaries – Schroders estimates that the average net multiple on invested capital for continuation funds is 2–3x and that IRR is 20–25%. Consistently achieving this higher level of return requires a portfolio of high-quality assets. To ensure that, a GP performs a valuation, validated by a lead LP and often an independent valuer, and highlights the visibility of an exit route.

GPs will also invest a sizeable part of their funds into the continuation fund, often rolling over their entire carry and exit proceeds to align their interests with those of all investors. According to client conversations, GPs who roll over their carry and exit proceeds tend to commit 10–15% of total fund size (versus the typical 2–5% committed to buyout funds), ensuring they stay invested in high-growth and high-quality assets.

We examined 58 buyout continuation funds for which we had performance data available on Preqin Pro (Fig. 4.7). Given that there were only three and five funds with relevant performance data for the years 2019 and 2020, respectively, this report’s conclusions are drawn from aggregated performance for the years 2021–2024.

²⁷ For more details on secondaries fees, please see Preqin’s Secondaries in 2024 report – <https://www.preqin.com/insights/research/sector-in-focus/secondaries-in-2024>

Fig. 4.7: Positive DPI indicates exits from continuation funds in recent years

Performance* table for buyout continuation funds

Vintage	Median net IRR	Median DPI	Average DPI	Weighted average*** DPI	Number of funds
2019	10.9%	22.8%	22.8%	18.3%	3
2020	20.5%	35.6%	123.8%	89.2%	5
2021	9.7%	5.7%	62.1%	49.6%	15
2022	22.1%	0.0%	9.2%	16.4%	10
2023**	N/a	0.0%	4.1%	8.7%	16
2024**	N/a	0.0%	25.3%	26.9%	9

*Performance is taken for most up-to-date time range (Q1 2024–Q1 2025)

Source: Preqin, data as of May 2025

**Funds do not have meaningful IRR within the first 3 years of inception

***Weighted average = $\sum(\text{fund size} \times \text{DPI}\%) / \sum(\text{fund size})$

The median net IRR for 2021-vintage funds (+9.7%) dropped from 20.5% for the 2020 vintage, as 2021 was a year when entry valuations rapidly increased with GPs’ accelerated activity post-COVID. Median net IRR for 2021-vintage funds is lower than that of 2022-vintage funds (+22.1%). As valuations started to correct in 2022 when interest rates began rising, IRR for the 2022 vintage increased from the previous year. The IRR value for 2022 falls within the 20–25% range highlighted by Schrodgers, possibly indicating valuation adjustments the private equity industry made during that year for assets going into continuation funds following the cyclical peak in asset valuations achieved in 2021.

The weighted average DPI for 2021-vintage buyout continuation funds (49.6%) far exceeds the 2021-vintage median DPI (5.7%). We derive from this that a material number of funds have already distributed capital back to investors for that vintage year. Newer vintages (2022 and 2023) have lower distributions, as we would expect, with a weighted average DPI of 16.4% and 8.7%, respectively. According to Preqin data, a few 2024-vintage continuation funds have already managed to distribute capital, lifting the DPI statistics for that vintage year.

We also compared performance of these 58 continuation funds with Preqin benchmark performance for buyout, private equity, and secondaries for 2019–2024 vintages (see Fig. 4.8 in the data pack). IRR for 2022-vintage buyout continuation funds and broader secondaries funds are broadly comparable, and both are higher than the IRRs for buyout and private equity benchmarks. We can also observe that buyout continuation funds display a higher weighted average DPI for the four years between 2021 and 2024 than primary buyout, private equity, and overall secondaries strategies.

Outlook for GP-led secondaries

The rise of continuation funds reflects the broader evolution of private equity, whereby flexibility and innovation are becoming essential for navigating market cycles. The challenging exit market, which has driven the growth of GP-led secondaries funds over the past few years, is likely to persist amid macroeconomic uncertainty and limited visibility regarding future interest rates – particularly in the US.

We expect the continuation fund market to retain its key growth driver and develop further in the foreseeable future. Whether used as a tool for managing legacy assets or as a strategic mechanism for retaining high-performing investments, we believe continuation funds will continue shaping the future of private markets.

GP-led commingled secondaries funds more broadly are poised to continue on a fundraising tear. Dry powder as a proportion of AUM for private equity secondaries is at an elevated level relative to private equity, bringing a risk that managers are pressured to put capital to work hastily rather than prudently. Proper LP due diligence will be increasingly important, although the vintage and manager diversification baked into secondaries funds somewhat mitigates this risk. In the more distant future, we may see managers offering secondaries portfolios with multi-asset class exposure, catapulting the diversification inherent in the structure to a new level.

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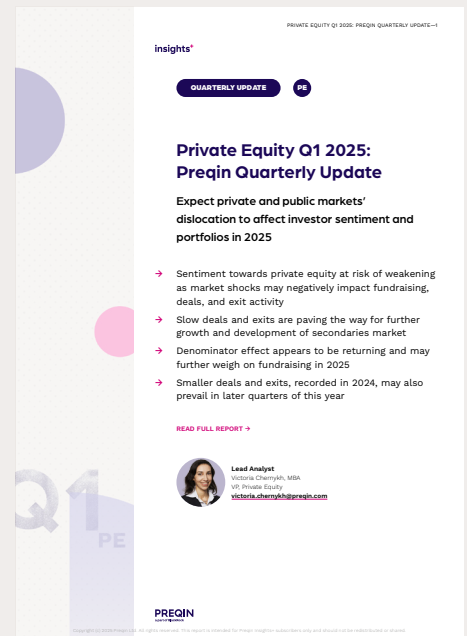
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