LIQUIDITY MEETS OPPORTUNITY

Navigating the Private Equity Secondary Market in 2026

$240 bn	48 %	$166 bn
Global secondary volume in 2025, a sixfold rise in a decade	Year-on-year growth in secondary volume in 2025	Committed to secondary funds in 2025 alone

FINVIA × bunch

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EXECUTIVE SUMMARY

A repricing market, not a distressed one

The private equity secondary market has matured into one of the more compelling entry points into private markets. For family offices weighing how to build or deepen their exposure, secondaries offer something primary commitments cannot: visibility. Known managers, established portfolios, verifiable track records; and a discount to NAV that typically embed a margin of safety from day one.

In 2026, that case is sharpened by a specific market dynamic. Institutional sellers (pensions, endowments, insurers) are rebalancing after public market recoveries inflated their private allocations. The result is a supply of high-quality stakes reaching the secondary market for technical, not fundamental, reasons. Global secondary volume exceeded **$240 billion in 2025** according to investment bank Jefferies, which is a sixfold increase in the space of a decade. This is not a distressed market; it is a repricing one.

This paper examines what that means in practice: how LP-led and GP-led transactions differ in risk and portfolio role, what the current cycle offers selective buyers, and how secondaries fit within a broader private equity programme. The conclusion is not that secondaries replace primaries - but that a blended approach, structured with discipline, outperforms either in isolation.

02

THE STRUCTURAL CASE

What secondaries actually offer

The most meaningful advantage is **mid-cycle entry**. Buying into a fund **three to five years** into its life means the J-curve has largely run its course. That advantage shows up directly in distributions: secondary funds typically return **40% of invested capital** within the first five years, reaching full capital return (1.0x DPI) by around year seven - compared to **10–12+ years** for primary buyout funds. For family offices, it offers a return profile that is easier to plan around, without sacrificing the illiquidity premium.

Pricing adds another layer to the case. The discount to NAV that secondaries typically trade at isn't incidental - when seller urgency drives the price rather than asset deterioration, the buyer captures future appreciation as portfolios revalue toward fair value. The chart below illustrates how that dynamic plays out across strategies: buyout secondaries have consistently traded closest to NAV, reflecting stronger asset predictability, while venture and growth carry wider and more volatile discounts. The 2022 rate shock pushed pricing to decade lows across the board, and the recovery since has been uneven. Buyout has rebounded; venture has not. That divergence is precisely where the diligence lies: separating a motivated seller from a distressed asset is what determines whether the discount is an opportunity or a warning.

Historical Secondary Pricing (% of NAV) by strategy, 2013–H1 2025. **Source: Greenhill.**

Transparency is the third structural advantage, and arguably the most underappreciated. Secondary buyers enter with knowledge that primary LPs spend years acquiring: the manager's decision-making under pressure, how the portfolio has been marked, which assets are compounding and which are being managed for exit. This visibility is structural alpha - not in the sense of guaranteed outperformance, but in the sense of informed underwriting.

READING THE RETURNS HONESTLY

One structural feature of secondaries demands honest treatment, particularly for family offices evaluating fund performance. Early IRRs in secondaries vehicles are partly an accounting artefact: buying a portfolio at a 20% discount and marking it immediately to NAV produces a high unrealised return that compresses as the discount effect dissipates and hold periods lengthen. Realised returns normalise materially over a fund's life - this is expected and priced in by institutional allocators, but can mislead if headline figures are taken at face value. The implication for due diligence is straightforward: scrutinise cash-on-cash multiples and realised track records alongside IRR, and apply particular scepticism to early performance figures from evergreen vehicles where capital is continuously entering at different stages of the underlying portfolio's life. Understanding this dynamic is not a reason to avoid the asset class; it is precisely the kind of structural literacy that separates disciplined buyers from undisciplined ones.

THE 2026 WINDOW

Cyclical opportunity on top of structure

Structural advantages like J-curve mitigation and diversification are persistent. The cyclical opportunity layer is not, which is why timing matters. Three forces are at work, each reinforcing the others, to create unusually attractive entry conditions:

1 **The denominator effect.** Institutional portfolios have become oversized in private markets relative to target weights, and the rebalancing pressure this creates is technical, not fundamental. Secondary volume surged **48% year-on-year in 2025** to reach $240bn globally. Investor conviction followed: **$166bn was committed to secondary funds in 2025 alone**. The majority of LP-led flow was driven by pensions and endowments managing relative overweights rather than responding to distress. High-quality stakes are reaching the market for portfolio construction reasons, not because sellers have lost conviction. That distinction matters: it is what makes the current supply unusual relative to discount.

2 **Primary market constraints have slowed the exit environment.** Higher rates compressed valuations, extended hold periods, and reduced distribution activity. This has created liquidity pressure across PE portfolios, pressure that flows through to the secondary market as motivated supply.

3 **The market itself has matured.** Where elite private capital firms once shunned secondaries as beneath them, they are now acquiring dedicated specialists outright: EQT's $3.7bn purchase of Coller Capital and KKR's acquisition of Arctos Partners are the most recent examples, following earlier moves by Ares, Apollo and CVC. Infrastructure, pricing mechanisms, and professional intermediaries now support institutional-grade execution at scale. GP-led transactions alone now represent nearly half of total volume, a structural shift that has expanded the opportunity set considerably.

Taken together, these forces have created a window for selective buyers to access top-tier managers and assets at entry valuations unavailable in primary markets. What would close it? Exit activity recovering faster than expected is the primary risk: as distributions normalise, institutional rebalancing pressure eases and motivated secondary supply diminishes. That recovery hasn't broadened yet, but there are early signs worth watching: exit value by the end of **Q3 2025 had already outpaced full-year totals for 2024, 2023 and 2022**, though this has been concentrated in mega-cap exits rather than the mid-market, and **Preqin** expects exit conditions overall to improve only gradually into 2026. If that recovery does broaden into the mid-market, where the bulk of aging inventory sits, secondary supply could tighten meaningfully within 12–18 months. For now, the window remains open, but it is not indefinite.

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INSTRUMENT & ROLE

LP-led vs. GP-led: different instruments, different roles

The most important analytical distinction in secondaries is between LP-led and GP-led transactions. They share a label but differ substantially in risk profile, governance complexity, and portfolio function.

LP-led transactions are the market's foundation. An institution sells its interest in an existing fund; a secondary buyer acquires a diversified, mature portfolio at a discount. The governance is straightforward: the buyer steps into the LP's shoes, inheriting fund economics without assuming operational risk. In the current environment, denominator-driven supply means many of these portfolios are fundamentally sound. LP-leds provide breadth, vintage diversification, and stability. They function as portfolio anchors.

GP-led transactions are more complex, and the complexity is intentional. A manager identifies one to three assets it wants to hold longer than the original fund permits, typically because the compounding runway extends well beyond a near-term exit, and creates a continuation vehicle. Existing LPs can roll or sell; new capital enters alongside them.

The appeal is clear: access to a known compounder, often with reset economics, extended by the manager who knows it best. The risk is equally clear: the GP sits on both sides of the transaction, simultaneously valuing assets it controls and crystallising carry-on assets it is selling to itself. This is a structural conflict, not a hypothetical one.

Managing it requires process rigour: independent price verification, auction-tested valuations, ILPA-compliant treatment of rolling LPs, transparent fee structures. Family offices that approach GP-leds the way they approach co-investments, with full diligence on the specific asset, the manager's track record in continuation vehicles, and the governance process, find them among the highest-conviction opportunities available. Those that treat them as a category are taking risks they may not have priced.

INSTRUMENT & ROLE

The two structures are not interchangeable: as the comparison below illustrates, they differ across every dimension that matters to portfolio construction: concentration, governance risk, supply driver, and ultimate portfolio role.

Two structures, compared across what matters

FIG. 02

DIMENSION	LP-LED	GP-LED
Concentration	Diversified: many funds, vintages and hundreds of underlying companies	Concentrated: typically one to three hand-picked assets
Governance risk	Low: buyer inherits the LP position without operational exposure	Structural: the GP sits on both sides; independent verification is essential
Supply driver	Denominator effect and institutional rebalancing	Managers extending compounding winners via continuation vehicles
Diligence approach	Portfolio-level: pricing, vintage and manager breadth	Co-investment-grade: single-asset and governance-process scrutiny
Portfolio role	Diversified foundation and anchor	Selective, high-conviction position

LP-led vs. GP-led secondaries, compared across concentration, governance, supply and portfolio role.

A well-constructed secondaries programme uses both: LP-leds as the diversified foundation, GP-leds as selective, high-conviction positions where the process has been thoroughly vetted. The mistake is treating either as a default.

PORTFOLIO INTEGRATION

Complement, not substitute

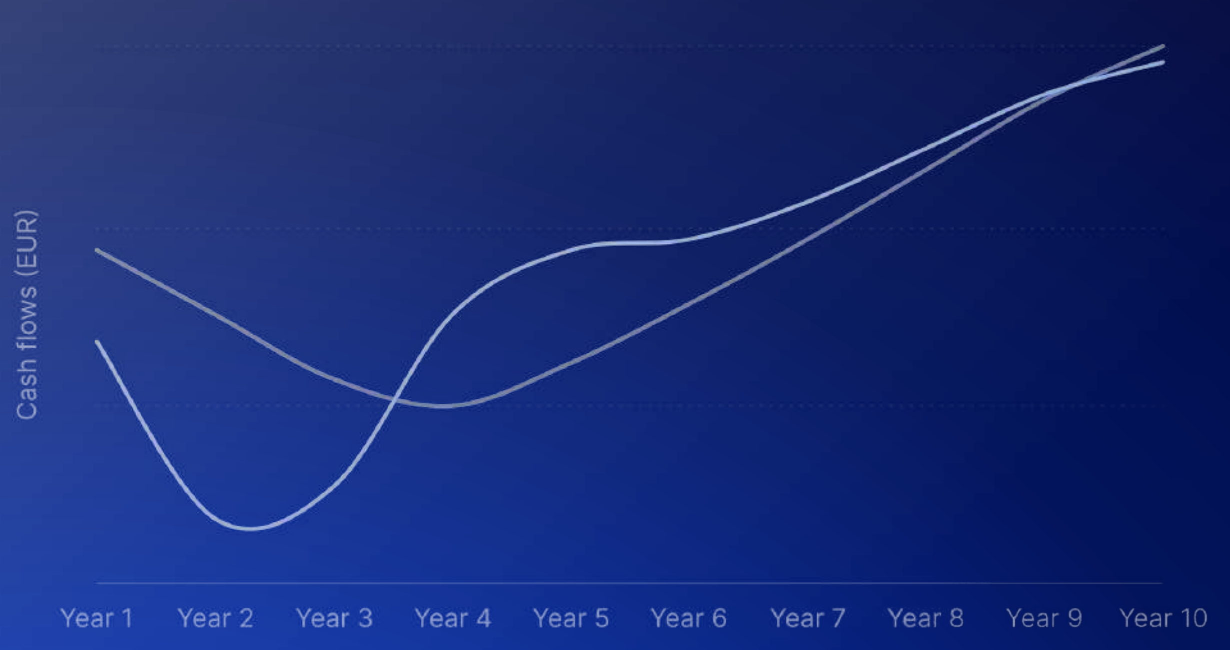
Framing secondaries as an alternative to primaries misses the point. The stronger case is that they function as a complement, one that addresses primaries' specific structural weaknesses. For a family office allocating across generations, that distinction matters more than the labels: the question isn't which strategy to choose, but how to sequence both to manage the cash flow and concentration risks that a primaries-only programme inevitably carries.

Primary commitments remain the engine of a private equity programme: they provide exposure to new vintages, emerging managers, and proprietary deal flow that secondaries rarely replicate. But they also come with the familiar constraints. Capital is drawn over three to five years, fund lives extend to 10–12 years, and the early years of a programme are typically characterised by negative net returns as fees and write-downs dominate before distributions catch up. This is the J-curve that many allocators still experience in practice. Without careful pacing, portfolios can also cluster into a small number of fundraising cycles, leaving families with concentrated exposure to a single entry-valuation regime.

Secondaries address each of these. Buying into already-invested funds means capital starts returning within two to four years rather than a decade, mitigating the J-curve at the programme level without sacrificing long-term return potential. Vintage diversification follows naturally: a single secondary position can span multiple fund generations and hundreds of underlying companies, providing the breadth that a primary programme takes years to build. The blended portfolio reaches cash-flow positive earlier and carries less concentrated exposure to any single entry cycle.

Payment profile with and without secondaries

FIG. 03



Net cash-flow payment profile with and without a secondaries allocation, Years 1–10. Source: FINVIA, Preqin.

PORTFOLIO INTEGRATION

The chart above illustrates this effect: the blended profile (including secondaries) turns cash-flow positive earlier and never dips as deep as the primaries-only line. But the earlier crossover point isn't just about smoother optics, it also means more capital is deployed and working sooner, rather than sitting uncalled or undistributed during the primaries' early years.

A dedicated secondary sleeve can be sized to 20%, 30% or more of the private equity allocation, depending on the family office's liquidity needs and deployment capacity. Within that structure, it serves several roles at once: it provides earlier cash flows that help offset primary capital calls, reduces vintage concentration risk by spreading exposure across multiple prior cycles, and improves transparency by anchoring the programme in known portfolios rather than solely blind pools. The result is a blended portfolio with a smoother return path and more resilient liquidity profile than either primaries or secondaries can achieve in isolation. The conceptual case is well understood among institutional investors; where it is most often underweighted in family offices is not in principle, but in the operational effort required to implement and monitor both legs of the strategy coherently. That effort spans allocation, manager selection, and ongoing oversight - and it's what ultimately determines whether the structural benefits are realised.

THE OPERATIONAL CEILING

Secondary portfolios accumulate complexity by design. Multiple fund interests, each with distinct waterfalls, distribution schedules, and reporting cadences, accumulate quickly. GP-led positions add another layer — bespoke economics, continuation vehicle terms, and asset-level tracking that differs materially from standard LP reporting.

Leading family offices treat this as a feature of the strategy, not a burden. Consolidating fund accounting, investor reporting, and compliance into a single system of record, rather than managing across fragmented tools, is what turns portfolio complexity into portfolio intelligence. This is particularly acute for European allocators navigating cross-border reporting obligations, jurisdictional variance in fund structures, and the administrative weight of AIFMD and DAC6 compliance alongside their investment workflows. The families that handle this well are increasingly doing so through integrated infrastructure that sits across both the operational and advisory layers: the model adopted by leading allocators, including collaborations between platforms like bunch and partners like FINVIA.

CONCLUSION

Selective, structured, patient

Private equity secondaries in 2026 offer family offices something genuinely valuable: institutional-grade exposure to private markets, with enhanced visibility, earlier liquidity, and a cyclical entry point that may not persist. The case is stronger than it has been for several years, but only for buyers who approach it with the selectivity the market demands.

That means distinguishing high-quality LP-led supply from distressed disposals, applying co-investment-grade diligence to GP-led processes, and building the operational infrastructure to manage complexity at scale. It means treating secondaries as a complement to primaries, not a shortcut around them.

Done well, a blended secondaries programme doesn't just improve near-term liquidity. It makes the entire private equity allocation more resilient: diversified across vintages and cycles, visible from day one, and positioned to compound across the multi-generational horizon that distinguishes family office capital from every other kind.

About FINVIA

Jan Hoffmann

HEAD OF ALTERNATIVE INVESTMENTS
FINVIA

FINVIA is an independent multi family office based in Frankfurt, providing holistic wealth management to high-net-worth individuals, families and institutional investors.

Its approach focuses on integrated portfolio construction across private and liquid markets, including private equity, private debt, real estate and public markets, with the aim of building resilient, long-term investment strategies across generations.

About bunch

Enrico Ohnemüller

CEO & CO-FOUNDER
BUNCH

bunch is the leading end-to-end infrastructure for European private markets. By combining AI-powered automation with deep domain expertise, bunch provides a single source of truth that replaces outdated, fragmented processes.

Founded in 2021 and based in Berlin, London, Amsterdam and Luxembourg, the company operates across Europe, enabling fund managers and institutional investors to manage the entire fund lifecycle - from digital investor onboarding and capital calls to fund administration, fund accounting, and tax reporting.

Build on bunch