YANNE CAPITAL

INSTITUTIONAL RESEARCH

Secondary Market Mid-2026: Where Capital Is Compounding

How the private secondary market became the fastest-growing pool of institutional capital, and what growth-stage founders need to understand about the LPs on the other side of the table

Yanne Capital Research

2026-09-14

Executive Summary

The private secondary market crossed 160 billion dollars in transaction volume in 2024, up from 68 billion in 2019, and preliminary Evercore Private Capital Advisory data indicates 2025 volume closed near 175 billion. The market that was once a niche liquidity solution for a small number of stranded LPs is now the third-largest source of capital flow in private markets behind primary fund commitments and direct co-investments. This shift matters for growth-stage founders in ways most founders have not internalized.

The capital compounding in secondaries is not the same capital that funded 2021 primary rounds. It is patient, structurally different, and oriented toward yield and duration rather than venture-style upside. Sovereign wealth funds, according to IFSWF and SWF Institute aggregated data, allocated an estimated 42 billion dollars to secondary strategies in 2024, roughly 3.5 times the 2019 level. State Street Global Advisors research on institutional allocator behavior indicates that among the 400 largest allocators globally, average secondary allocation as a share of private equity commitments rose from 8 percent in 2019 to 17 percent in 2025.

For growth-stage founders running raises in the current environment, three implications follow. First, the LPs sitting behind the funds pitching them today are increasingly the LPs who came in through a secondary, not a primary commitment. That changes the timeline pressure and the exit expectation embedded in the check. Second, GP-led secondaries and continuation vehicles now represent 47 percent of total secondary volume according to Coinlaw industry tracking data, which means many portfolio companies are being held longer with different capital structures than the founder signed up for. Third, the pricing discipline of the secondary market is now anchoring primary market valuations more than at any point in the last decade.

Across our advisory work in 2025 and 2026, we observe a pattern in investor diligence conversations that we did not observe in prior cycles. LPs are asking about the founder's understanding of their own cap table's secondary market. Not whether secondary activity has occurred, but whether the founder understands what their equity is currently trading at in the private secondary market and what that price implies about the next primary round.

This paper walks through the structural drivers behind the secondary market's growth, the specific capital sources compounding into it, the pricing behavior that is now propagating back into primary rounds, and the practical framework we recommend to growth-stage founders preparing for a capital event in the next 12 to 18 months. The single most important point: the secondary market is no longer a downstream liquidity mechanism. It is an upstream pricing signal, and the founders who understand it are pricing their rounds accordingly.

1. The Setup: A Market That Doubled in Five Years

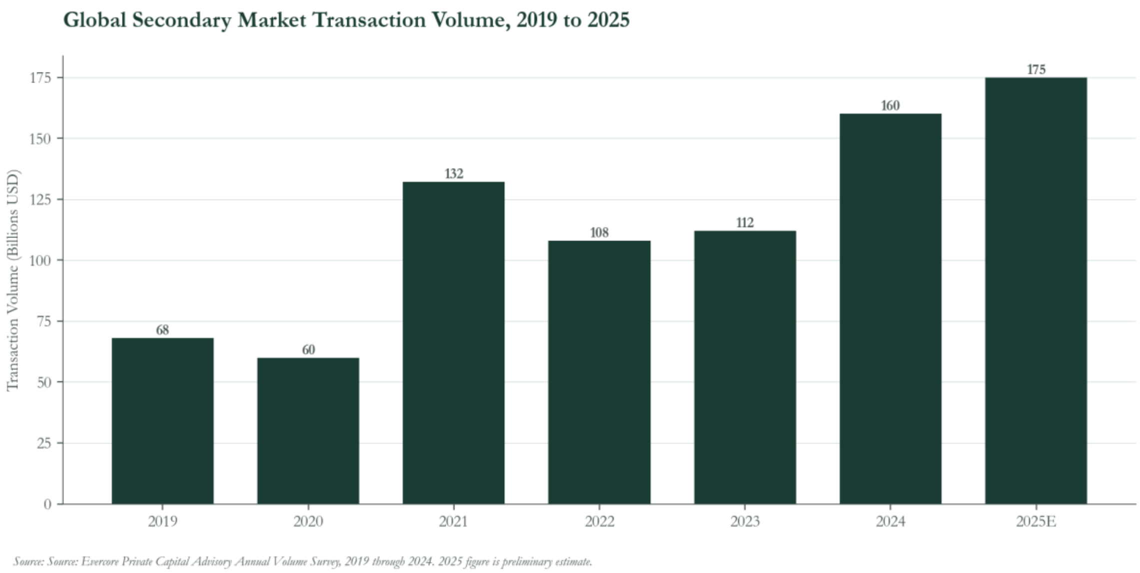
The private secondary market processed 160 billion dollars of transaction volume in 2024 according to Evercore Private Capital Advisory's annual survey, with preliminary 2025 figures tracking toward 175 billion. Five years earlier, in 2019, the market processed 68 billion. The compounding rate over that period exceeded 18 percent annually, faster than any other private capital flow tracked over the same window.

Two structural forces drove the growth. The first is denominator-effect rebalancing among institutional allocators. When public market valuations compressed in 2022, private allocations mechanically overshot target ranges for many pension funds and endowments, forcing rebalancing sales that flowed through the secondary market. That pressure has largely dissipated by mid-2026, but it seeded a generation of new secondary buyers who built the infrastructure and stayed.

The second force is more durable. GP-led secondaries, principally continuation vehicles that allow a general partner to move a portfolio company or a portfolio of companies out of an aging primary fund and into a new vehicle backed by secondary buyers, grew from roughly 12 percent of secondary volume in 2018 to 47 percent by 2024 based on Coinlaw industry aggregation. This is not stranded-LP liquidity. This is active portfolio management by GPs who want to hold winners longer, and secondary capital is the mechanism enabling it.

The market has also professionalized. In 2019, roughly 240 institutional buyers actively participated in secondaries above 25 million dollars in transaction size according to Evercore PCA. By 2025, that number exceeded 480. The pool of buyers has doubled, and the pool of dedicated capital sitting in secondary-focused funds has roughly tripled, exceeding 340 billion in committed but undeployed capital as of Q1 2026.

For growth-stage companies, the immediate consequence is that when your Series C lead investor reaches the end of their fund life in 2027 or 2028, the exit is increasingly likely to be a secondary transaction rather than an IPO or strategic sale. Understanding what that means for your cap table, your board dynamics, and your relationship with the buyer on the other side of that transaction is now a first-order strategic question, not a downstream liquidity concern.



Source: Evercore Private Capital Advisory Annual Volume Survey, 2019 through 2024. 2025 figure is preliminary estimate.

2. The Data: Where the Capital Is Coming From

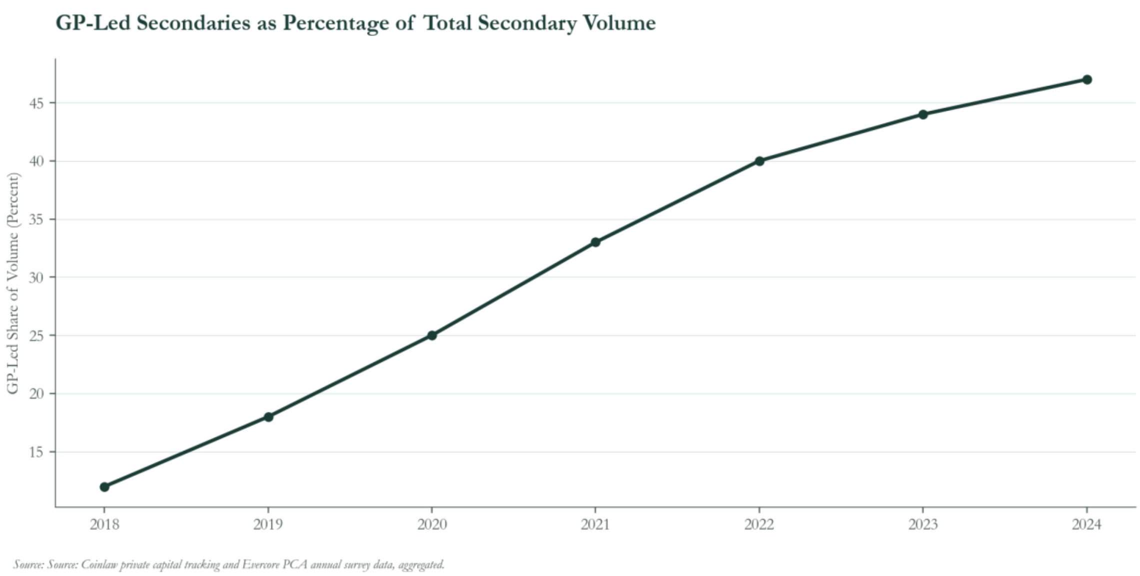
Sovereign wealth funds have been the fastest-growing category of secondary buyer over the past five years. According to combined IFSWF and SWF Institute data, sovereign allocations to secondary strategies grew from approximately 12 billion dollars in 2019 to 42 billion in 2024, representing roughly 25 percent of total secondary market volume. The Norwegian Government Pension Fund Global, GIC of Singapore, Mubadala, and the Abu Dhabi Investment Authority have been particularly active buyers, with disclosed secondary program AUM at each of these institutions now exceeding 15 billion dollars.

Sovereign capital behaves differently in secondaries than in primaries. The duration tolerance is longer, the return threshold is lower (typical net IRR targets are 12 to 15 percent versus 20 percent plus for traditional secondary buyers), and the willingness to hold single-asset continuation vehicles is higher. This has enabled a class of transactions that would not have cleared in earlier market structures: high-quality portfolio companies extended beyond their original fund life at prices approaching primary market NAVs.

The second largest source of new secondary capital is the U.S. pension system. State Street Global Advisors research indicates that among the 100 largest U.S. public pension funds, average secondary allocation grew from 4 percent of private equity commitments in 2019 to 11 percent in 2025. That shift alone represents roughly 28 billion dollars of additional annual secondary capital flow. Pensions are particularly active buyers of LP-led transactions where they are acquiring positions in mature funds with visible near-term distributions.

Family offices and endowments have grown more slowly in absolute terms but represent an increasing share of continuation-vehicle capital. Evercore PCA's 2024 survey indicates that endowments now participate in roughly 34 percent of GP-led secondaries above 500 million dollars in size, up from 18 percent in 2020. The endowment interest is concentrated in continuation vehicles for high-quality software and healthcare portfolio companies, sectors where the endowment community has developed particular conviction.

The fourth capital source, and the fastest-growing in percentage terms, is dedicated secondary funds themselves. Committed dry powder in secondary-focused strategies exceeded 340 billion dollars at Q1 2026 according to Coinlaw tracking, up from 108 billion in 2019. Ardian, Lexington Partners, Blackstone Strategic Partners, HarbourVest, and Coller Capital collectively manage over 170 billion of that total. The concentration matters: a small number of very large funds set the pricing floor for the market, and their bid discipline in 2024 and 2025 has been notably tighter than earlier cycles.



Source: Coinlaw private capital tracking and Evercore PCA annual survey data, aggregated.

3. The Analysis: Why This Capital Behaves Differently

The secondary market's growth is not simply more capital doing the same thing. The capital compounding into secondaries has structurally different behavior than primary venture and growth equity capital, and understanding that behavior matters for any growth-stage founder whose future exit or continuation transaction will involve this pool.

The first structural difference is duration. A primary Series C investor commits capital in year 0 and expects distribution beginning around year 6, with fund liquidation by year 10 to 12. A secondary buyer purchasing that same position in year 5 expects distribution beginning immediately or within 18 months, and considers a hold beyond 4 additional years to be underperformance. The exit clock accelerates once secondaries enter the cap table, sometimes dramatically.

The second difference is pricing discipline. Primary rounds price on future growth trajectory. Secondary transactions price on discounted NAV, with the discount reflecting the buyer's required IRR on the residual hold period. Evercore PCA data indicates that median secondary pricing on venture and growth positions traded at 71 percent of NAV in 2024, tightening to roughly 82 percent in the first half of 2025 as market conditions improved. That range, 71 to 82 percent of NAV, is now anchoring how sophisticated LPs think about mark-to-market on their primary positions.

The third difference is the buyer's engagement model. A primary lead investor takes a board seat, contributes to strategic decisions, and often participates in follow-on rounds. A secondary buyer, particularly one acquiring a minority position, typically does not take a board seat and does not participate in follow-ons. This shifts governance dynamics in ways that founders often do not anticipate. The investor whose name is on the cap table five years after Series C may have zero engagement with the company and simply be waiting for distribution.

Across our advisory work in 2025 and 2026, we observe that founders in continuation vehicle situations frequently underestimate the buyer selection dynamics on the secondary side. The GP running the process makes choices about which secondary buyers to invite, and those choices materially affect the post-transaction dynamics of the cap table. Founders who understand this and engage with their GP's secondary buyer selection tend to end up with more aligned long-term shareholders. Founders who treat it as a transaction they are not part of tend to inherit a cap table they did not design.

The fourth difference is transparency. Primary rounds involve extensive founder-investor engagement, term sheet negotiation, and diligence. GP-led secondaries frequently close with the underlying portfolio company management having limited visibility into pricing, buyer identity, or transaction terms until after the fact. This asymmetry is beginning to change as founders push back, but as of mid-2026 the norm remains that founders learn about secondary transactions on their cap table with lag.

Source: State Street Global Advisors institutional allocator research, 2019 through 2025.

4. The Framework: What Growth-Stage Founders Should Do

For founders 12 to 18 months from a meaningful capital event, five practical steps address the secondary market's implications for the primary round they are about to run.

First, establish a view of what your equity is currently trading at in the secondary market. If your company has ever received unsolicited secondary interest, or if any employee has completed a tender offer in the past three years, you have observable secondary pricing data. If you do not have data, ask your existing investors what marks their funds are carrying you at and what discount, if any, is being applied for private secondary purposes. A sophisticated primary investor in your next round will already have this information. You should have it too.

Second, understand which of your current investors are approaching fund-life pressure. A Series A investor whose fund was raised in 2019 is now in year 7. Their pressure to distribute is real and building. That pressure is more likely to result in a secondary transaction on your cap table than an IPO or strategic sale, and it will happen with or without your involvement. Have the conversation directly with your board members about their fund-life dynamics before it becomes a transaction question.

Third, if a continuation vehicle is a plausible outcome for one of your existing investors, engage with the process early. GPs setting up continuation vehicles have significant discretion in structuring them, and the terms that get negotiated in those transactions can materially affect founder economics, board control, and the cap table you inherit. Being adjacent to the process rather than downstream of it is the difference between preserving alignment and losing it.

Fourth, price your primary round with awareness of the secondary market's discount discipline. If sophisticated secondary buyers are transacting at 82 percent of NAV in your sector, and your Series C primary round prices at a 40 percent step-up from your last mark, the LPs in your primary lead will be running the implicit math. The step-up needs to be defensible against the secondary market's alternative.

Fifth, choose your Series C or growth-round lead with awareness of their secondary market posture. Some funds actively sell secondary positions to manage fund-level exposure. Others hold. The lead investor's approach to secondary sales in prior portfolio companies is a diligence question you should ask before signing the term sheet. It will shape who is on your cap table three to five years after the round closes.

5. Case Study Patterns: What We Observe in Advisory Conversations

In conversations with growth-stage founders preparing for capital events during 2025 and 2026, three recurring patterns illustrate how the secondary market's growth is reshaping primary market dynamics.

The first pattern shows up in valuation conversations. Founders anchor on 2021-era comparable rounds, expecting step-ups of 2 to 3 times against their last mark. Sophisticated primary investors anchor on current secondary market clearing prices, which for many growth-stage positions imply flat to modestly-up step-ups. The gap between founder expectation and investor anchor is now larger than we have seen in any cycle since 2015, and it is the single most common source of stalled processes.

The second pattern shows up in board conversations. Founders whose Series A and B investors have crossed year 7 of fund life are increasingly encountering conversations about secondary transactions that were not part of the original relationship. Some of these conversations are transparent and collaborative. Others arrive as fait accompli notifications 45 days before closing. The differential is almost entirely a function of the founder-investor relationship depth built during the intervening years, not the specific structural terms of the original deal.

The third pattern shows up in continuation vehicle situations. When a growth-stage company becomes the anchor asset for a continuation vehicle, the founder inherits a new set of shareholders whose IRR clock is running from the CV close date, not from the original primary investment date. This dramatically compresses the operational patience the founder can expect. Portfolio companies that were on a 5-year path to exit under the primary fund frequently find themselves on a 24 to 30 month exit path under the CV, without any change in the underlying business plan.

None of these patterns are new individually. What is new is their prevalence. In 2019 or 2020, a growth-stage founder might have encountered one of these three dynamics across the life of their company. In 2025 and 2026, we observe growth-stage founders encountering all three simultaneously, often within a single 18-month window.

Case Studies

Pattern 1: The valuation gap between founder anchor and investor anchor

In advisory conversations with growth-stage founders preparing for capital events in 2025 and 2026, the most common source of stalled processes has been a gap between founder valuation anchors (typically drawn from 2021 primary comparables) and lead investor anchors (drawn from current secondary market clearing prices at 71 to 82 percent of NAV). Founders expecting 2 to 3 times step-ups have consistently encountered lead investors modeling flat to modestly up step-ups. The founders who close rounds efficiently are the ones who pull their own secondary pricing signal before entering the primary process and calibrate expectations accordingly.

Pattern 2: Fund-life pressure surfacing in unexpected board conversations

When an existing investor's fund crosses year 7 of its life, distribution pressure builds rapidly. Founders whose Series A investor commits in 2019 will encounter that pressure conversation somewhere between 2025 and 2027. In the advisory conversations we participate in, the differentiator between collaborative fund-life navigation and adversarial fund-life navigation is almost entirely relationship depth built in years 3 through 6, not the structural terms of the original round. Founders who invest in the relationship during good years get consulted on secondary transactions. Founders who do not, get notified.

Pattern 3: The continuation vehicle timeline reset

When a growth-stage company becomes the anchor asset for a continuation vehicle, the operational timeline the founder was working against gets reset. A company that was on a 5-year path to exit under the original fund frequently finds itself on a 24 to 30 month path under the CV, with no change in the business itself. Founders adjacent to the CV structuring process typically preserve alignment on timeline expectations. Founders downstream of it typically inherit an exit clock they did not sign up for.

Forward Look: 12-Month Outlook

Over the next 12 months, three developments will shape how the secondary market intersects with primary market activity. First, sovereign wealth funds and large U.S. pensions will continue growing their secondary allocations, with combined incremental deployment likely exceeding 25 billion dollars over the period based on stated allocation targets from GIC, Norway GPFG, ADIA, and the ten largest U.S. public pensions. This capital will flow disproportionately toward continuation vehicles for high-quality growth-stage assets. Second, secondary pricing discipline will tighten as dry powder concentration among the top five secondary managers continues to increase. Median pricing on growth-stage secondaries is likely to converge into the 78 to 85 percent of NAV band as buyers compete for a smaller number of quality assets. Third, founder awareness of secondary market dynamics will accelerate. The founders raising capital in the second half of 2026 will be materially more sophisticated about secondary market signals than the founders who raised in the first half of 2025, and lead investors will increasingly expect that sophistication as a diligence prerequisite. The secondary market has moved from a downstream liquidity mechanism to an upstream pricing signal. The founders who understand this are pricing accordingly. The founders who do not will find their processes stalling in ways they cannot explain until they trace the pricing anchor back to the market they were not paying attention to.

Conclusion

Yanne Capital is an independent boutique investment bank advising growth-stage companies on equity, debt, and M&A transactions across 26 sectors, with 240+ closed deals and relationships with 3,500+ institutional investors globally. We are your trusted filter between noise and signal. If you are 12 to 18 months from a capital event and want to understand what the secondary market is telling you about your primary round pricing, reach out at contact@yannecapital.com. We will walk through the specific secondary market dynamics affecting your cap table and help you calibrate your process accordingly.

Frequently Asked Questions

How large is the private secondary market in 2026?

The private secondary market processed 160 billion dollars of transaction volume in 2024 according to Evercore Private Capital Advisory's annual survey, with preliminary 2025 figures tracking toward 175 billion. That represents more than a doubling from the 68 billion transacted in 2019, with compounding growth exceeding 18 percent annually over the five-year period.

What percentage of secondary market volume is GP-led?

GP-led secondaries, principally continuation vehicles, grew from roughly 12 percent of secondary volume in 2018 to 47 percent by 2024 according to Coinlaw industry aggregation. The shift reflects active portfolio management by general partners who want to hold quality assets longer, rather than the stranded-LP liquidity that historically defined the market.

How much capital do sovereign wealth funds allocate to secondaries?

Sovereign wealth funds allocated an estimated 42 billion dollars to secondary strategies in 2024, up from approximately 12 billion in 2019, according to combined IFSWF and SWF Institute data. Sovereign capital now represents roughly 25 percent of total secondary market volume, with the

Norwegian Government Pension Fund Global, GIC of Singapore, Mubadala, and the Abu Dhabi Investment Authority the largest disclosed programs.

What discount to NAV do secondary transactions typically clear at?

Median secondary pricing on venture and growth positions traded at 71 percent of NAV in 2024 according to Evercore PCA data, tightening to roughly 82 percent in the first half of 2025 as market conditions improved. That 71 to 82 percent range is now anchoring how sophisticated LPs think about mark-to-market on their primary positions.

How much dedicated secondary capital is currently committed but undeployed?

Committed dry powder in secondary-focused strategies exceeded 340 billion dollars at Q1 2026 according to Coinlaw tracking, up from 108 billion in 2019. Ardian, Lexington Partners, Blackstone Strategic Partners, HarbourVest, and Coller Capital collectively manage over 170 billion of that total, with the concentration among the largest managers setting pricing floors for the broader market.

How should growth-stage founders think about the secondary market when pricing a primary round?

Founders should establish a view of what their equity is currently trading at in the secondary market, understand which existing investors are approaching fund-life pressure, engage early if a continuation vehicle is a plausible outcome, price the primary round with awareness of secondary discount discipline, and choose a Series C or growth-round lead with awareness of their secondary market posture. The secondary market is no longer a downstream liquidity mechanism, it is an upstream pricing signal that primary investors are already using.

What is the risk of a continuation vehicle for a growth-stage founder?

When a growth-stage company becomes the anchor asset for a continuation vehicle, the founder inherits a new set of shareholders whose IRR clock runs from the CV close date, not from the original primary investment date. Portfolio companies that were on a 5-year path to exit under the primary fund frequently find themselves on a 24 to 30 month exit path under the CV, without any change in the underlying business plan. Founders adjacent to the CV structuring process typically preserve timeline alignment, founders downstream of it typically do not.

Yanne Capital is an independent boutique investment bank advising growth-stage companies on equity, debt, and M&A transactions across 26 sectors, with 240+ closed deals and relationships with 3,500+ institutional investors globally. We are your trusted filter between noise and signal.

Disclaimers and Important Information