

KEYNOTE INTERVIEW

How GP-led secondaries are reshaping private capital



*As GP-led secondaries evolve in scope and sophistication, market participants are navigating new expectations around governance, liquidity and transparency, say Akin partners **Brendan McNamara**, **Daniel Quinn** and **Fadi Samman***

Q How would you describe current dynamics and growth in GP-led secondaries?

Brendan McNamara: The big takeaway here is that LPs increasingly view secondaries not as a niche sector but as a core portfolio tool, and as a result, we are seeing deeper integration of secondaries expertise within large asset managers.

Continuation funds represented the vast majority of GP-led secondaries transactions last year. Three-quarters of LPs surveyed for a recent industry report said that managers are either very or fairly well resourced to continue to do these deals. Still, 81 percent of existing LPs surveyed indicated that they elected the cash-out option. So,

while the majority of LPs accept continuation vehicles as a tool, the need for liquidity seems to be the driving factor following a years-long drought in distributions.

Daniel Quinn: Every year we are getting closer to the point where secondaries are regarded as integral to both the exit markets, and to investors' portfolio management. You see that in the number of asset managers acquiring or establishing secondaries businesses, because secondaries are now an indispensable element of providing a

full-service platform. You see it in the number of LPs that are taking advantage of secondaries technology.

Most noticeably though, you see it from sponsors that now have to consider CV transactions as one of their primary potential exit routes, alongside traditional M&A, for their portfolio companies. We are now much further along in the evolution of secondaries as a thoroughly mainstream part of the private capital ecosystem.

Fadi Samman: In addition to answering liquidity demands, what has always been attractive about CVs is their ability to allow managers to hold onto trophy assets or assets that may have longer-term business plans. That

SPONSOR
AKIN

limited hold period has been a problem that private equity has been looking to solve for a long time, with CVs offering an attractive solution to that age-old issue.

Further, the rise of evergreen products, with 40 Act funds and the retailisation of alternatives, has been a real boon for the secondaries market. The amount of fundraising there has led to additional amounts of capital becoming available for secondaries, which has had the knock-on effect of growing the capital base for these transactions.

Q How are regulatory scrutiny and governance evolving?

FS: Governance remains a big theme in these transactions, and we expect it to be a big theme through 2026, because as these deals go mainstream there is increased attention being paid to governance and conflicts from both a regulatory perspective and an investor perspective.

The Institutional Limited Partners Association issued some additional guidelines on continuation funds in January, which shows this issue is still front and centre for investors. There is an increased spotlight on conflict mitigation, proper procedures, proper approvals and valuation validation.

We know the US Securities and Exchange Commission continues to place priority on conflicts of interest in CVs via its exam enforcement mechanisms. It is therefore important for GPs running these processes to ensure they remain tightly focused on making sure their conflict procedures are run in a fair manner and that existing investors receive proper fiduciary treatment.

DQ: There has been some recent activity in the courts that puts these points into particularly sharp focus, and drives home the message that we have been pushing at Akin for some time – no matter how commonplace these deals become, it's fundamental to not become complacent on conflicts.

Q What are you witnessing in terms of innovation around deal structures, tools and leverage?

DQ: As the secondaries market is evolving to be a core part of the market, it is also evolving to be more complex and adopting its own versions of many of the tools that are used in primary M&A.

A continuation fund transaction is now not something that only happens at the fund level – it is also about crystallising management incentive schemes, refinancing debt and refreshing a lot of things at portfolio level just as you would in a primary deal.

The growth of evergreens is also a significant development that is going to have an impact on deal structures. We are seeing increasing discussion of evergreen CVs where assets can be put into vehicles that can just hold those forever, which is an interesting space to watch.

BM: We are also seeing the growing use of earn-outs, which give sellers a bit more comfort when selecting the liquidity option on these deals, because they know that if the underlying assets perform well, they are going to have a share in the upside.

Finally, a big theme around innovation is the use of artificial intelligence, particularly in LP-led secondaries transactions where it is being used predominantly to streamline the transfer process.



What is particularly interesting about the recent litigation is that it involved a transaction that looks a lot like a mainstream CV deal with quite a lot of the elements we would normally look for, like fairness opinions and advisory board processes. Still, those things were not in and of themselves enough to get the investors comfortable that the conflicts had been properly managed. Sound management of the conflicts of interest inherent in a CV is really the key driver to all of the deal participants – GPs, selling investors, rolling investors and buyers – walking away with a ‘win’. That ability to craft a transaction that works for everyone has

been critical in driving the growth of the market.

BM: The US Department of Justice has made clear that its enforcement priorities for 2026 include, among other things, financial sector scrutiny, cybersecurity and cross-border compliance. All those issues touch secondaries transactions, which can involve sensitive data, as well as regulatory and other compliance issues.

A key regulatory focus in secondaries transactions this year is compliance with the US Treasury Department’s Outbound Investment Security Program, which came into effect in

January 2025, and either prohibits or requires notification of investments by US persons in certain Chinese companies that develop AI, semiconductors, quantum computers and other technologies. Those rules impact all secondaries transactions – continuation funds, tender offers and LP-led deals – and require an additional layer of due diligence to ensure compliance with the rules.

Q What is driving the growth of credit secondaries, and how is that market different to private equity?

DQ: Credit secondaries is an interesting part of the market and we are also seeing secondaries technology start to really take off in other sectors, like infrastructure, real estate and venture capital.

Credit was the first major sectoral expansion of the secondaries market and because there is less of a track record there, we see some divergent views. There are some sceptics who think the success of credit secondaries depended on some quite particular market conditions. It seems clear to us though that the market will continue to grow, notwithstanding the fact that credit markets are more liquid than the market for private equity assets simply because the benefits of secondaries transactions are so attractive, and so clear.

Secondaries give credit managers options they otherwise just don't have – with some using continuation fund transactions to seed new business lines, for example. We are also seeing the technology employed as a way of dealing with situations where managers end up with a mix of credit and equity in portfolios, as well as for traditional rebalancing.

BM: LPs use credit secondaries for portfolio management, liquidity and rebalancing, just as they use them in private equity, but the distributions are more yield driven. That means

LPs seeking immediate liquidity increasingly turn to credit deals for a smoother and more predictable outlet. Credit funds typically return capital more steadily, which enables more predictable pacing, whereas private equity relies primarily on exits making the amount and timing of returns lumpier and more difficult to predict.

FS: Over the past year, credit secondaries have lent themselves to some large CV transactions. That was driven by credit investors seeking out really diversified portfolios, with managers pulling those together to meet demand and a large amount of capital raised for credit secondaries throughout the year.

Q What will be the trends driving the secondaries market through 2026?

BM: We expect to see more formalised price discovery processes, stronger output oversight and GPs providing clear disclosure. We also expect more robust documentation to evolve in GP-leds, particularly with respect to conflicts, valuation support and election mechanics.

In addition, I think we are going to see the continued broadening of asset classes as secondaries move into infrastructure and technology, particularly as AI continues to evolve and the need for data centres and related infrastructure grows in demand.

DQ: We will probably see the continued acceleration this year of a lot of the trends that we have been talking about, which are driving the growth of the secondaries market more generally. The market has taken real steps forward but there is still quite a long way to go.

What was particularly interesting in 2025 is that traditional exit activity was quite strong, but CV volume was also significantly up. That answers the question that some had on whether these deals would grow only when

“No matter how commonplace these deals become, it’s fundamental to not become complacent on conflicts”

DANIEL QUINN

traditional exit markets were constrained. Our view is that secondaries technology, including continuation fund technology, is a tool for all seasons, working in difficult exit markets as well as less constrained markets to unlock value in a creative and flexible way that is beneficial to every market participant.

FS: Much like we saw on the LP side of the secondaries market, we are going to continue to see increased competition on the continuation fund side, leading to more price transparency for investors. Right now, there is still a relatively narrow field of investors that can participate, but we expect that to evolve.

Finally, I would point to the CV-squared trend, where continuation funds exit to new continuation funds, as something we expect to see more of. There are deals that managers view as forever assets and the natural solution for those is to create another liquidity event through a second continuation fund deal.

There is still a real backlog of assets that cannot easily be sold, and a tremendous amount of dry powder available to be deployed, so we are looking forward to another busy year for secondaries. Will it be another record year? It is hard to know, but it should be another very strong one. ■