GOLDING

CIO View

The Changing Role of Secondaries in Private Markets

Daniel Boege

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Dear investors and partners,

Looking back at the evolution of private markets over recent years, one remarkable development stands out: the most significant innovations are no longer taking place at the level of individual transactions, but within the market itself. The secondary market is evolving from a niche source of liquidity into a core component of capital allocation across private markets.

This development is, above all, a reflection of the increasing maturity of the asset class. Over the past two decades, private markets have become an essential part of institutional portfolios. As a result, investor priorities are changing. While the focus in earlier years was primarily on building allocations, portfolio construction, capital allocation and liquidity management are now becoming increasingly important.

> "Capital is increasingly becoming the price of admission rather than a source of differentiation."

Daniel Boege
Partner & Chief Investment Officer

From liquidity tool to market infrastructure

Against this backdrop, the role of the secondary market is changing as well. For a long time, secondaries were viewed primarily as a means of generating liquidity. While this perspective accurately reflects the market's origins, it no longer captures its broader significance today. The secondary market now combines liquidity with active portfolio management, price discovery and access to attractive investment opportunities. In doing so, it is becoming an important connecting element within an increasingly large and complex private markets ecosystem.

Record growth with structural drivers

Over the past twelve months, global secondary transaction volume reached approximately USD 260 billion. This is more than double the level recorded in 2021 and roughly ten times the volume seen after the financial crisis in 2011. For full-year 2026, leading market participants expect another record year, with transaction volume reaching up to USD 275 billion.

What is particularly noteworthy is not the market's absolute size, but the broader context in which this growth is taking place. Global M&A activity has recovered significantly, reaching approximately USD 3.2 trillion in the first half of 2026, an increase of around 45% compared with the same period last year. IPO markets have also become more receptive again.

Nevertheless, secondary market growth continues to outpace traditional private equity exit channels by a wide margin. While M&A and IPO volumes have only recently returned to levels previously seen in 2021, secondary transaction volume has more than doubled since then. In our view, this points to a structural evolution within the asset class rather than a purely cyclical response to challenging market conditions.

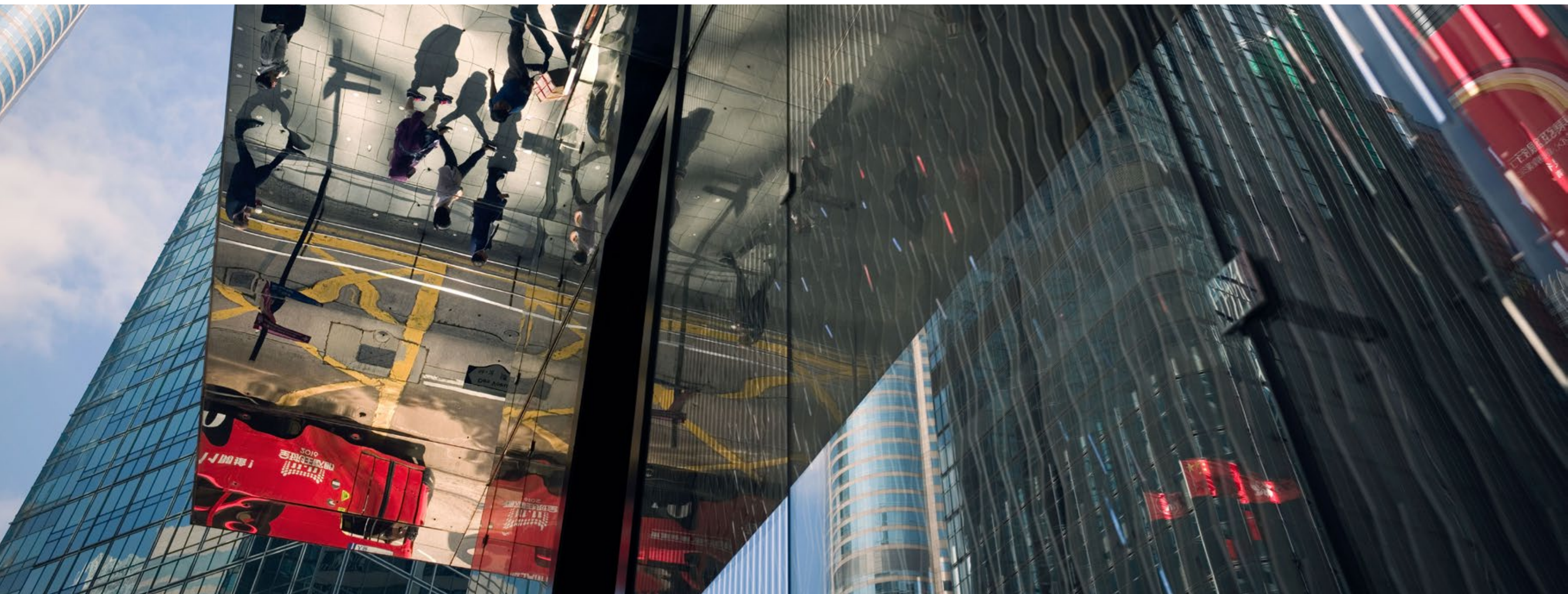
Liquidity remains important, but it is no longer the whole story

Liquidity continues to be a key driver, of course. Distribution activity across many private equity portfolios remains well below historical averages. During the first quarter of 2026, global exit volume fell to approximately USD 96 billion, partly as a result of uncertainty surrounding AI and software valuations as well as the Iran crisis, marking the lowest level in two years.

As a result, holding periods for many portfolio companies have lengthened, while a significant share of investments made between 2017 and 2021 has yet to be realised. Distributions, particularly relative to committed capital, remain limited. This has constrained investors' ability to fund new commitments through distributions alone, reducing flexibility in portfolio construction.

At the same time, the growing importance of secondaries can no longer be explained solely by liquidity needs. Institutional investors today manage significantly larger private markets portfolios than they did ten or fifteen years ago. As portfolios grow, the need for active capital management becomes more pronounced, including adjusting allocations, reducing concentration risks and balancing vintage year exposure.

As a result, secondaries are increasingly becoming a strategic portfolio management tool. Even in an environment with materially higher distributions, we expect this trend to persist because it is driven by a fundamental shift in institutional portfolio management rather than temporary liquidity conditions.



GP-led transactions are reshaping the market

At the same time, the role of fund managers has evolved. General Partners increasingly use the secondary market as a strategic tool to address both investor requirements and the specific characteristics of underlying assets. Today, approximately half of global secondary transaction volume is represented by GP-led transactions, meaning transactions initiated by fund managers rather than limited partners. In the first half of 2026 alone, transaction volume in this segment reached approximately USD 55-61 billion. The market for single-asset transactions has been particularly dynamic, now accounting for more than half of the GP-led market.

Quality over discount

The rationale is straightforward. Many sponsors now find themselves in a position where their highest-quality assets continue to offer value creation opportunities well beyond traditional holding periods. The secondary market allows managers to extend ownership while simultaneously offering investors a market-based liquidity option. This creates solutions that can better align the interests of all stakeholders than forced exits driven by regulatory or fund-structural constraints.

The quality of these assets is also reflected in transaction pricing. Approximately 87% of single-asset continuation vehicles completed during the first half of 2026 were priced at more than 90% of their most recent net asset value, while nearly one quarter were transacted above NAV. The market is therefore increasingly differentiating between quality and risk. Investors are willing to pay appropriate prices for transparency, high-quality assets and proven value creation potential.

At the same time, the buyer universe continues to expand. Market participants estimate currently available purchasing power for secondary investments at approximately USD 383 billion. Around three quarters of leading secondary investors are simultaneously raising new funds, while approximately USD 77 billion of uninvested capital is available specifically for GP-led transactions.

Access and selection as competitive advantages

More capital inevitably increases competition. However, it does not necessarily make the market less attractive. In our view, the amount of capital currently available for secondary investments does not yet indicate an overheated market. Aggregate dry powder across secondary funds represents approximately 1.4x expected annual transaction volume, which remains well below the long-term average of around 3x observed in buyout primary markets.

Networks create value

More importantly, market growth is being accompanied by increasing segmentation, which is changing the sources of competitive advantage. Capital is increasingly becoming the price of admission rather than a source of differentiation. Instead, access, networks, reputation, transaction certainty and selection capabilities are becoming more important.

The European small- and mid-market remains one of the few segments where scale alone does not create a sustainable competitive advantage. Access to transactions through local networks, reputation and long-standing relationships with fund managers often matters more. Many of the most attractive opportunities never enter broadly marketed auction processes but instead emerge through long-established relationships between institutional investors, sponsors and specialised secondary managers.

Investors who identify potential sales opportunities early or are regarded as preferred partners by established fund managers are often able to position themselves before a formal sale process even begins. In many cases, the most attractive transactions are effectively won before they ever come to market.

Successful secondary investors therefore frequently combine deep primary market expertise with extensive industry relationships. Long-standing partnerships with European buyout managers not only create trust among sponsors but also provide ongoing visibility into attractive businesses and earlier insights into potential opportunities. The combination of primary and secondary capabilities can therefore become a genuine competitive advantage.

The breadth of a platform is equally important. The distinctions between LP-led transactions, GP-led processes, portfolio rebalancing solutions and structured transactions are increasingly blurring. Investors who are active across multiple market segments often benefit from a significant information advantage regarding valuations, market sentiment and transaction structures. A broad platform not only improves access to opportunities but also enhances investment decision-making.

Our Investment Conviction:
Opportunities in the European Small- and Mid-Market

For precisely these reasons, we continue to see particularly attractive opportunities in the European small- and mid-market. Many portfolio companies combine strong market positions, resilient cash flows and compelling growth prospects. Yet their smaller capital requirements often make them difficult for large global investors to pursue efficiently. At the same time, the European sponsor landscape remains highly fragmented. Comprehensive market coverage, durable relationships and transaction certainty can therefore only be achieved through an established platform with meaningful local presence.

A key observation

For us, this reinforces one central conclusion: The attractiveness of secondaries today is no longer primarily driven by potential discounts to net asset value. Instead, it lies in the combination of access, transparency and active portfolio management, together with the ability to deploy capital selectively where the most compelling opportunities emerge.

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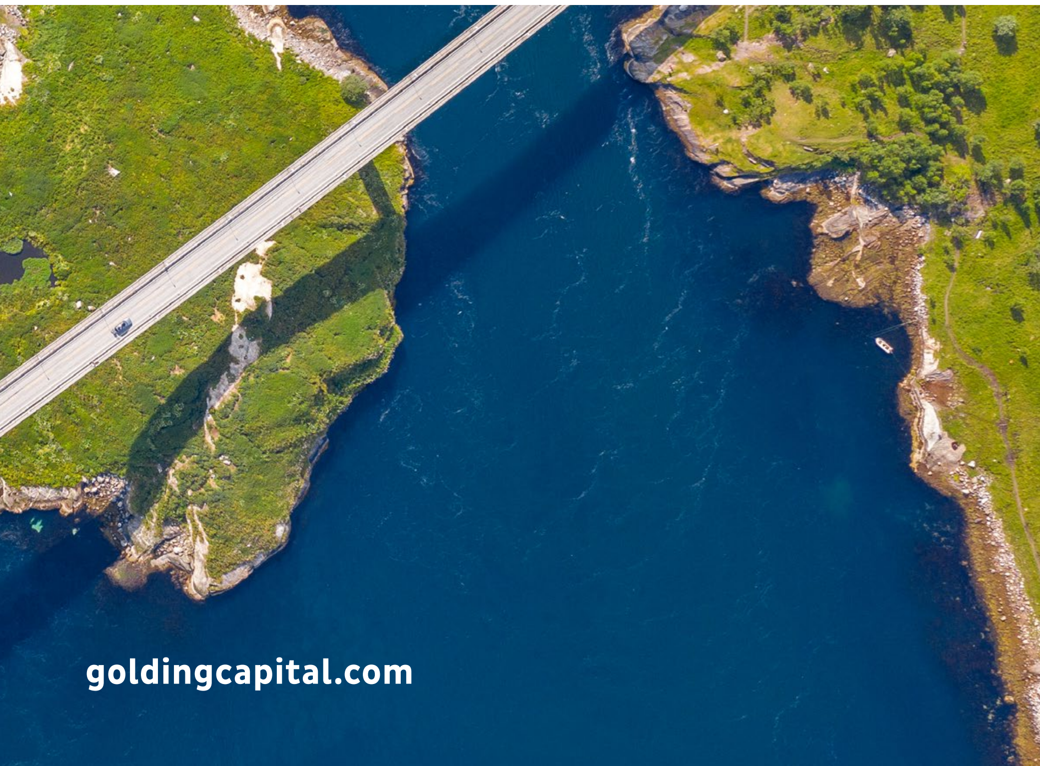
Daniel Boege

Partner & Chief Investment Officer

Daniel Boege has been with Golding Capital Partners since 2011 and, as of August 2025, serves as Chief Investment Officer (CIO) and member of the Executive Committee, responsible for the strategic direction and management of the firm's entire investment division. Previously, he headed the firm's various buyout programmes as Head of Buyout.

He has over 25 years of experience in the private equity industry and, prior to joining Golding, worked at Permira in Frankfurt and Vestar Capital Partners in Munich, where he was involved in a wide range of national and international transactions.

Daniel Boege studied Management at the London School of Economics (Bachelor's and Master's with distinction) and holds an MBA from INSEAD in Fontainebleau.



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