CIBC GLOBAL
ASSET MANAGEMENT

Secondaries: The evolution of private equity's most compelling opportunity set

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Key takeaways

- Private equity secondaries have evolved from a niche liquidity solution into a strategic asset class, providing investors with access to mature private market investments and enhanced portfolio flexibility.
- The growth of both LP-led and GP-led transactions reflects the increasing importance of the secondary market as private markets expand and companies remain private for longer periods of time.
- Secondary investments provide exposure to portfolios that are already partially or substantially invested, offering greater visibility into underlying assets and potentially reducing blind-pool risk.
- Because secondary investors typically acquire more mature portfolios, they may benefit from earlier distributions, improved cash flow predictability, and a shallower J-curve relative to traditional primary fund commitments.
- Secondary transactions can provide diversification across managers, sectors, geographies, portfolio companies, and vintage years through a single investment.
- Periods of market dislocation and liquidity constraints can create attractive opportunities for secondary investors to acquire high-quality assets at compelling valuations.
- Primary and secondary private equity investments serve complementary roles within a portfolio, with primaries providing access to new investment opportunities and secondaries offering enhanced visibility, accelerated cash flows, and reduced vintage-year concentration.
- For many investors, a combination of primary and secondary private equity strategies may provide a more balanced approach to achieving long-term private market exposure while improving diversification and portfolio resilience.

For much of private equity's history, secondaries were viewed as a niche corner of the market, a liquidity solution for investors seeking to exit positions before fund maturity. That perception has fundamentally changed. The secondary market has evolved into one of the most dynamic and strategic segments of private markets, providing liquidity, portfolio management flexibility, and compelling risk-adjusted return opportunities for both buyers and sellers.

As private markets continue to mature and assets remain private for longer, secondaries are increasingly becoming an essential component of institutional portfolios.

What are private equity secondaries?

Private equity secondaries refer to the purchase and sale of existing interests in private market investments. Rather than committing capital to a newly raised fund and waiting years for deployment and realization, investors acquire interests in funds or portfolios that are already partially or substantially invested.

Broadly speaking, the secondary market can be divided into two categories:

LP-led secondaries

LP-led transactions involve an existing limited partner (LP) selling its stake in a private equity fund to another investor. These transactions are typically driven by portfolio rebalancing, liquidity needs, regulatory considerations, or changes in investment strategy.

For buyers, LP-led deals provide access to mature portfolios with greater visibility into underlying assets, reduced blind-pool risk, and often immediate exposure to cash-generating investments.

GP-led secondaries

GP-led transactions are initiated by the general partner (GP) managing the assets. In these situations, a selected portfolio company is transferred into a continuation vehicle. This allows existing investors to exit and receive liquidity, or roll their interests into the new structure.

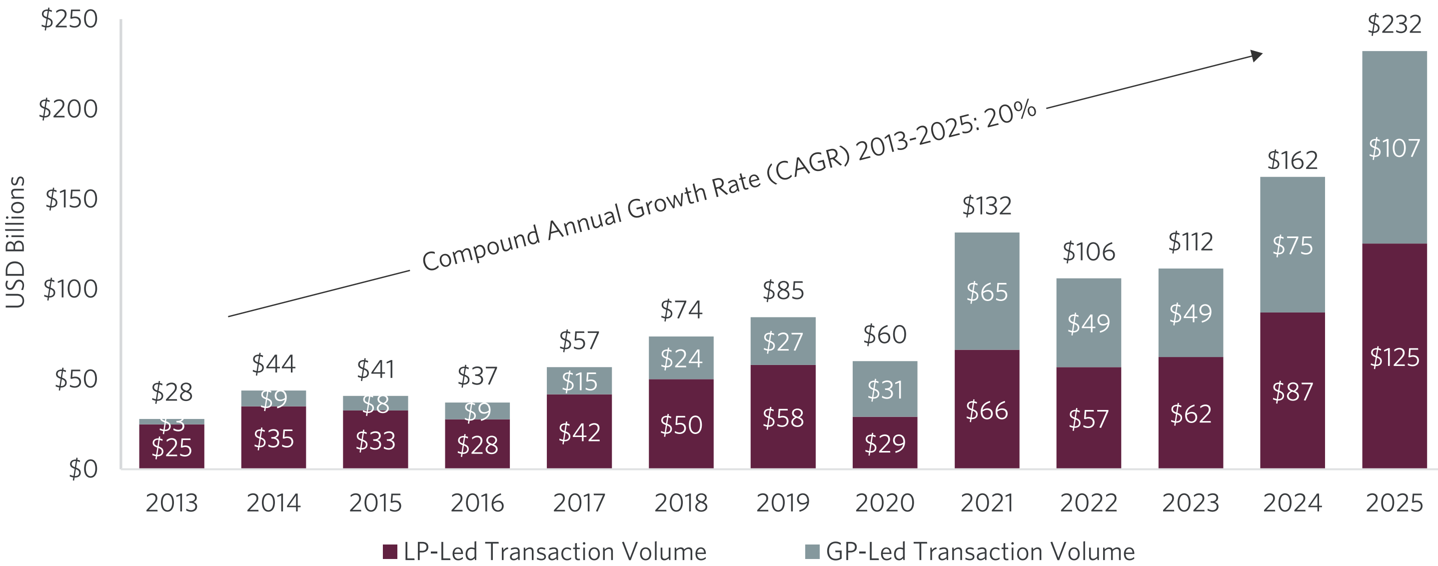
GP-led transactions have emerged as one of the fastest-growing areas within private markets because they offer a solution to a common challenge: high-quality assets often require more time to realize their full-value creation potential than a traditional fund life permits.

Rather than selling strong companies prematurely, GPs can extend ownership periods while simultaneously providing liquidity options to existing investors.

Why GP-led and LP-led transactions are becoming more prominent

The growth of the secondary market is being driven by several structural shifts across private markets.

Rapid growth of the secondary market



Sources: Evercore 2025 Secondary Market Review (January 2026); Jefferies 2025 Global Secondary Market Review (January 2026); Lazard Secondary Market Report (January 2025); Greenhill Global Secondary Report (February 2026).

A larger private equity ecosystem

Private markets have grown dramatically over the past two decades. With trillions of dollars invested across buyout, growth, venture, infrastructure, and private credit strategies, the volume of assets eligible for secondary transactions has expanded significantly. As the private markets universe grows, so too does the need for efficient liquidity mechanisms.

Longer holding periods

Companies are remaining private for longer and value creation plans have become increasingly complex. Many businesses require extended operational improvement initiatives, digital transformation programs, or strategic acquisitions before reaching their full potential.

Continuation vehicles allow GPs to maintain ownership of attractive assets rather than selling simply because a fund is approaching the end of its term.

Liquidity constraints across the market

Recent market volatility, slower M&A activity, and reduced IPO issuance have created a more challenging exit environment. As distributions from private equity funds have slowed, many investors have found themselves overallocated to private markets relative to target allocations.

LP-led secondaries provide a practical mechanism for generating liquidity and actively managing portfolio exposure without waiting for traditional exits.

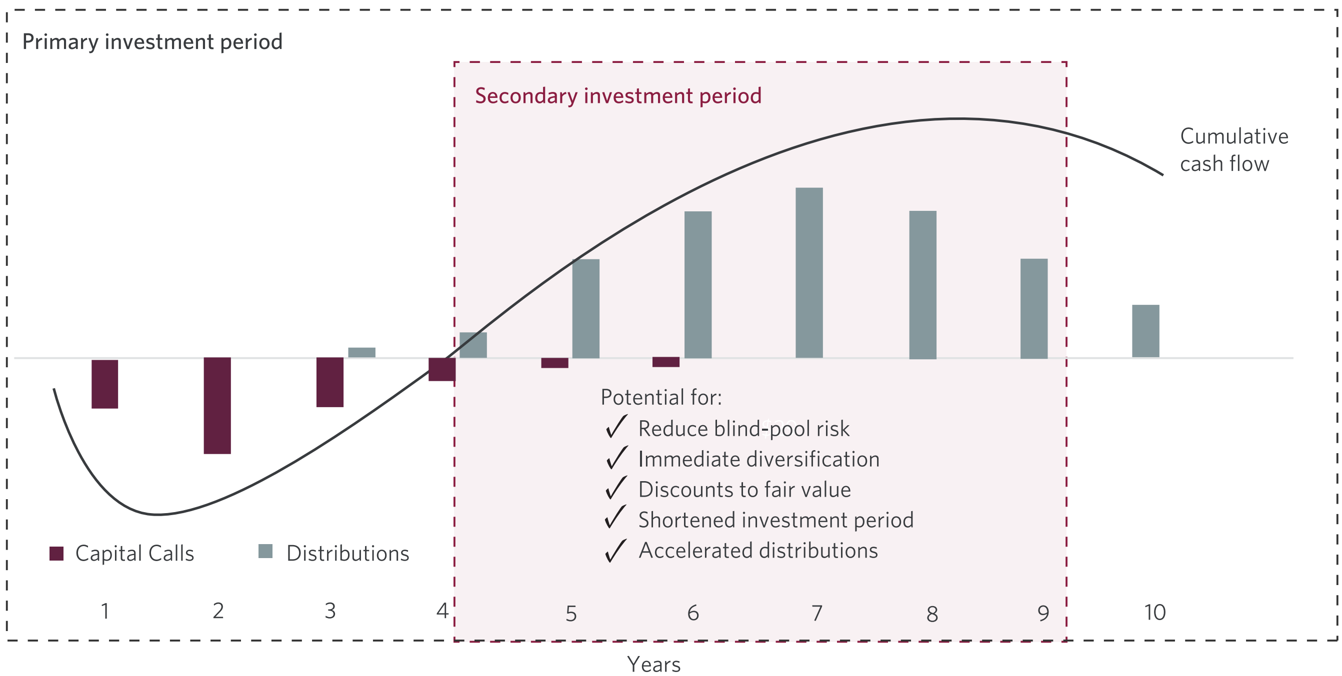
Increased sophistication and acceptance

Historically, secondary transactions were often associated with distressed sellers. Today, they are increasingly viewed as proactive portfolio management tools.

Institutional investors now regularly use secondaries to rebalance portfolios, manage vintage year exposure, optimize sector allocations, and generate liquidity. At the same time, GP-led transactions have become widely accepted as a legitimate value-maximization strategy.

Why investors are increasingly allocating to secondaries

The appeal of secondaries extends beyond liquidity. For many investors, the asset class offers a unique combination of enhanced visibility, accelerated cash flows, and attractive return potential.



Source: StepStone Group. Data as of June 2026. For illustrative purposes only. Not intended to represent any specific fund or investment.

Mitigating the J-curve effect

One of the most frequently cited advantages of secondaries is their ability to reduce or mitigate the J-curve effect.

Traditional private equity investments often experience negative returns in their early years as management fees are paid and capital is deployed before value creation and exits begin to generate gains.

Because secondary investments typically acquire portfolios that are already invested and more mature, investors can gain exposure closer to the realization phase of the investment lifecycle. This often results in earlier distributions and a shallower J-curve relative to primary fund commitments.

For investors seeking private equity exposure while improving cash flow predictability, this can be a significant advantage.

Reduced blind-pool risk

Primary fund investors commit capital before knowing exactly which companies will be acquired. In contrast, secondary investors typically have visibility into underlying portfolio companies, performance metrics, sector exposures, and fund-level dynamics. This enhanced transparency allows for more informed underwriting and potentially more precise risk assessment.

Faster capital deployment

One of the challenges of primary private equity investing is the gradual pace of capital calls, which can take several years before committed capital is fully invested. Secondary investments generally provide immediate exposure to deployed assets, reducing cash drag and enabling investors to put capital to work more efficiently.

Potential for attractive risk-adjusted returns

Secondary buyers often acquire interests at discounts to reported net-asset value, particularly during periods of market dislocation or liquidity stress. While discounts alone do not guarantee superior outcomes, purchasing seasoned portfolios at attractive valuations can create a favorable entry point and enhance return potential relative to risk.

Enhanced diversification

A single secondary transaction can provide exposure across multiple companies, sectors, geographies, managers, and vintage years. This diversification can be particularly valuable for investors building private market portfolios or seeking to complement existing primary fund allocations.

Why include both primaries and secondaries in a portfolio?

Including primaries and secondaries in a portfolio is a balanced approach that strengthens portfolio resilience and return stability:

Reason for including	Portfolio impact	Primaries	Secondaries
Diversification or risk and timing	Enhances diversification across time, strategies, and managers, reducing concentration and smoothing return patterns.	Provides access to new opportunities across vintages, sectors, and geographies, building long-term exposure.	Adds diversification by purchasing existing funds at different life stages, reducing vintage-year concentration and balancing risks.
Return profile balance	Gives investors a blend of higher upside and stable, risk-mitigated returns.	Offers higher potential upside, especially with top-tier managers, but also higher blind pool risk.	Offers more predictable returns, often acquired at discounts, with reduced downside risk.
Liquidity and duration management	Balances long-term commitments with nearer-term liquidity events.	Long duration (10-12 years).	Shorter remaining duration (often 4-7 years).
Market and pricing opportunities	Allows investors to capture upside from new investments while taking advantage of discounted entry points in secondary markets.	Access to new managers, strategies, and sectors creating new deal flow.	Opportunity to buy into high-quality funds at discounts during market dislocations.
Portfolio resilience	Together, they provide more consistent performance across cycles, especially during downturns.	Growth engine (higher return potential).	Shock absorber (lower volatility, quicker cash back).

Looking ahead

The secondary market is no longer merely a liquidity solution; it has become a strategic asset class in its own right.

As private markets continue to expand, portfolio companies remain private longer, and investors demand greater flexibility, both LP-led and GP-led transactions are likely to play an increasingly important role in portfolio construction.

For investors, secondaries offer a compelling combination of reduced blind-pool risk, accelerated cash flows, diversification, and the potential to mitigate the traditional J-curve associated with private equity investing. In an environment where liquidity and flexibility have become increasingly valuable, secondaries are poised to remain one of the most attractive opportunities across the private markets landscape.

Sample weighting of primaries and secondaries within a client's private equity allocation:

Strategy	Example weight
Primaries	50-70%
Secondaries	30-50%

About CIBC Global Asset Management

CIBC Global Asset Management (CIBC GAM), the asset management subsidiary of CIBC, is one of Canada's largest asset managers. Established in 1972[1], CIBC GAM offers a broad range of investment solutions, including mutual funds, ETFs, portfolio solutions, alternative investments, discretionary investment management services for high-net-worth individuals, and institutional portfolio management. With teams across Canada and the US, CIBC GAM serves retail, high-net-worth and institutional clients in North America and institutional clients worldwide.

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[1] CIBC Global Asset Management (previously known as TAL Global Asset Management Inc.) was founded in 1972 as a privately-owned investment manager. CIBC took an ownership stake in 1994, eventually assuming 100% in 2001.