

KEYNOTE INTERVIEW

Buyside expansion fuels dealflow



*The growth of retail capital and secondaries buyer AUM is facilitating larger check sizes and reducing the need for syndication, say Simpson Thacher & Bartlett partners **Drew Harmon** and **Lauren King***

Q How would you describe the current secondaries deal landscape, and what impact is the emergence of retail and evergreen vehicles having on capital flows?

Lauren King: Last year saw the largest volume of secondaries transactions on record. Notably, the GP-led space has been gaining market share and it is growing faster than the LP portfolio side. Deal sizes are increasing and there has also been a meaningful expansion in the number and type of players participating in these transactions.

One significant area of growth has been retail funds – many buyside

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investors now have retail funds that invest alongside them in secondaries deals, providing an additional pool of capital. This allows them to bid for larger amounts and, as a result, they can act as lead investor in a GP-led transaction without having to go out and find third-party co-investors. The structure has increased deal certainty as secondaries buyers can often be the sole lead investor even in larger transactions and even as the only investor, so fewer deals have required investor syndicates.

Drew Harmon: From the sellside perspective, the most striking development is the sheer scale of capital that the leading secondaries buyers now command. The tremendous growth in buyside AUM, led in large part by steady inflows from retail and private wealth channels, is giving the largest buyers confidence to underwrite significantly larger lead investor positions.

In addition to squeezing out potential syndicate investors and co-investors as Lauren notes, it has increased competition on the buyside for coveted lead investor roles, as many deals can now be done with only a single lead investor. The practical consequence is twofold:

buyers have gained negotiating leverage, but the market has also become considerably more efficient, with execution certainty increasing materially once first-round bids are in.

Q What are the biggest trends currently influencing lead investors in GP-led secondaries transactions?

LK: There is more competition to be lead investor in GP-led deals, due in large part to the new entrants on the buy-side, as well as more participants having large enough pools of capital to speak for the check size that being lead investor requires. As Drew noted, being named “lead investor” is a coveted role, especially for those investors with CV-focused secondaries funds, because that is often what they market when fundraising – that they can be lead investor, allowing them to set pricing and drive deal terms.

As a result of the increase in deal sizes, there are GP-led transactions

that have more than one lead investor. We are seeing some of those transactions have co-lead investors that are “lead investor” in name only. There is usually just one investor driving the process and those tend to be the ones that write the largest check, which is where retail capital can be an advantage, or they can be the first bidder to agree to the pricing desired by the GP, or have a strategic relationship with the underlying sponsor.

DH: Pricing pressure and increased competition from new market entrants have led the buy-side to get more creative in how they get to a headline price that clears the market. This might look like increased acceptance of leverage, which is more common in Europe than the US, or through deferrals, wherein a portion of the purchase price is deferred for a short period of time.

Deferrals have always been a feature of these deals, but they have become more prevalent as the bid-ask spread became something that could not be

overcome without implementing structural solutions.

Q What could litigation in the GP-led space mean for representations and closing conditions, from both a GP and lead investor perspective?

DH: Litigation has become a concern in the GP-led space following a recent lawsuit in which a sovereign wealth fund sought to block a continuation vehicle from closing. The suit alleged a poor process, that differing information was provided to buy-side investors versus sell-side investors, and that the LPAC was rushed, not provided with appropriate transparency and generally subject to poor investor relations behavior. Although the sponsor ultimately prevailed in the dispute and the transaction closed a few weeks later, the suit’s impacts have rippled across the industry.

There is some concern among some LPs that there are not enough checks on GPs running processes, and there

Q We have seen a real growth in credit secondaries in recent years. How do terms and structures differ in those deals compared with other asset classes?

DH: The assets most commonly being acquired by continuation vehicles in credit secondaries typically trade in the market in a very standardized way. Loans trade on standard Loan Market Association or Loan Syndications and Trading Association forms that have a more limited scope of representations, warranties and covenants, and a shorter duration of liabilities on the sell-side, than would be the case in an equity sale. That means credit secondaries are, in actuality, just the secondaries market plugging into an already vibrant credit market and offering a new source of capital.

Some secondaries shops with an existing credit bench have invested in credit secondaries and trade these deals like the rest of the market. But there are secondaries shops that do not have existing credit businesses and, as a result, seek to treat these like equity deals. That has created some friction when inappropriate terms are applied, and investors get up the learning curve. Ultimately, it should be faster and cheaper to negotiate a credit secondaries deal that has a quality portfolio versus an equity secondaries deal for a similar quality asset.



is now an increased focus on ensuring that sellside LPACs feel they have a seat at the table – that they understand the process and that their best interests are taken into account. On the flipside, some GPs and advisers have changed their deal terms to seek to prevent similar litigation, if brought against a GP, from jeopardizing a CV process.

Our clients generally agree that, just from a market efficiency and transparency perspective, it is not in anyone's interest to make CV deals less transparent or make it harder for LPACs to test that GPs are looking out for their best interests. The continued growth and success of our industry depends on GPs and advisers alike earning and maintaining the trust of investors.

LK: Lead investors have always been focused on ensuring they have a good reputation in the secondaries space to attract better dealflow as sellers prefer known, reliable buyers. As most of the lead investors are secondaries funds, they also care deeply about their reputation among potential investors because fundraising is relationship-driven and a large portion of any new fund typically comes from existing relationships.

If there is threatened litigation, lead investors want to have the ability to pause or walk away. They do not want to be forced to participate, as being associated with that situation can create reputational discomfort; LPs notice who is involved, especially in the lead investor role.

On the other side, sellside sponsors have been pushing for language to prevent hold-up value if threatened with litigation, and understandably want to remove the risk of frivolous claims that could be used as a bargaining tool by their existing LPs.

The market is seeking more creative ways to address the friction between the buy-side and sell-side with respect to how to handle threatened litigation in the transaction documents given the increased focus on this since the recent

litigation Drew mentioned. The focus is on maintaining deal certainty, while trying to ensure appropriate lines are drawn for walk-away rights.

Q What macro headwinds and tailwinds do you see impacting the GP-led secondaries market?

LK: Positive tailwinds include falling interest rates, well-stocked deal pipelines, suppressed traditional exit opportunities, incoming retail capital, a lower cost of capital for lead investors and an improving valuation environment for underlying portfolio companies.

Technology has seen the most growth in GP-led secondaries transactions, and AI-driven assets have become a core area of focus. This has resulted in an increase in transactions involving the infrastructure needed to support AI, with data centers being popular in recent years.

DH: There are some macro headwinds affecting secondaries, including market turmoil over recent years. Multiple deals died when war broke out with Iran, after tariff announcements and following concerns about AI and software. In those situations, investment commitments shift toward

re-underwriting, and prior deals may no longer make sense. Despite these headwinds, we still saw record dealflow in 2025 and continue to see strong pipelines.

Q What is your outlook for GP-led activity for the rest of this year and beyond?

DH: Over half of buyout investments have been held for more than four years, so the opening up of IPO markets and increased deal activity at a strategic level will not be able to fully address the need for liquidity. There is still significant pent-up liquidity demand driving GP-led secondaries volume and LPs now have the ability, earlier in the life of an investment, to push a GP to create liquidity through a GP-led process. It is no longer acceptable for a GP to say it is too early, because they can always offer a status-quo option for those that want to stay in while still creating liquidity for others.

With so much dry powder on the buy-side, there are a meaningful number of buyers tracking portfolio company prospects before a sellside sponsor has even started a process. They are actively reaching out to sponsors and encouraging them to look at these as strategic opportunities.

LK: As discussed earlier, there is record volume and strong momentum, including with new entrants on the buy-side and continued expansion into “newer” asset classes like credit. GP-led secondaries are a mainstream exit tool and, importantly, supply drivers are structural, not cyclical. The GP-led market's growth trajectory has proven resilient irrespective of broader M&A activity levels, resulting in its development into an all-weather strategy.

The structural drivers, such as LP liquidity needs, sluggish traditional exits and GPs using CVs as a portfolio management tool, show no sign of abating. We only see activity continuing to increase and expect 2026 to be another record year. ■

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LAUREN KING