

Committed Capital

A GLOBAL PRIVATE EQUITY PODCAST

COMMITTED CAPITAL PODCAST SERIES

Secondaries: Dry Powder and Paradigm Shifts



MAY 27, 2021

Dechert's Global Private Equity group presented "Secondaries: Dry Powder and Paradigm Shifts," an episode of the firm's Committed Capital Podcast Series. The episode was hosted by Dean Collins (moderator), a Singapore-based partner in the firm's Financial Services practice, and featured Francois Aguerre, a Partner and Head of Origination at Collier Capital, and Nick Miles, Managing Director and Head of Europe and Asia Private Equity at Lazard.

This podcast summarized the latest trends in the secondaries market, including the buoyancy of the fundraising market as well as the types of deals being originated and executed to deploy enormous amounts of dry powder.

HIGHLIGHTS FROM THE EPISODE

Secondaries

Broadly, a secondary transaction is any transaction where liquidity is provided for LP capital. Initially, secondary transactions related to fund portfolios being brought to market for strategic reasons where the buyer would replace the LP to the funds. This then moved on to tail-end portfolios, direct portfolios of assets, and more recently, GP-led transactions. Secondary transactions have now gone beyond the private equity sphere to include most classes of illiquid assets such as infrastructure, real estate and credit.

Growth

There has been growth in both the supply of capital and the supply of deal flow for a number of reasons. Firstly, the secondary market provides visibility over capital and lower risk. Secondly, these are no longer typically distressed transactions for sellers. Finally, innovation has driven significant interest.

GP-led Secondaries

GP-led secondaries are likely to overtake LP-led secondaries based on anecdotal data. The two carry fundamentally different risk returns, with GP-led being more concentrated. In the GP-led sphere, the relationship with the GP is of greater importance and buyers tend to be increasingly sophisticated with experience in M&A.

Future Trends

As the market is attracting new participants, the existing growth may accelerate. Innovation is likely to continue. Given this movement, there is a possibility that the secondaries market may morph into something which is more difficult to define.

To hear the episode in full, click [here](#). For all episodes in our series, click [here](#).

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