Secondary funds as a strategic portfolio tool: From liquidity to programme implementation

Benedetta Balducci
Head of Private Markets Strategy

As the secondary market grows in scale and sophistication, secondary funds are moving beyond their traditional role as a source of liquidity. For institutional investors, they can offer a practical way to build, diversify and manage private-markets exposure with greater flexibility and efficiency.

The secondaries market: From niche to institutional scale

The secondaries market has experienced significant growth over the past decade, reaching an estimated $230 billion of transaction volume in 2025, more than 40% above the prior year and a record for the asset class. This momentum is expected to continue, with assets under management across secondary strategies projected to more than double by 2030.[1]

This shift happened alongside an important change in perception: the secondary market has evolved from being perceived as a venue where distressed and forced sellers offload assets, to a strategic tool for portfolio rebalancing, cash-flow management and allocation decisions.

Secondary transaction

The purchase of an existing private-markets interest or asset after the original commitment has been made. Price is negotiated by reference to reported net asset value (NAV).

Secondary fund

A dedicated vehicle that acquires these interests and assets, building a portfolio diversified across managers, vintages, sectors and, increasingly, asset classes.

LP-led transaction

- The secondary buyer acquires interests in a fund from one/ multiple LPs before the fund's Termination Date
- It assumes the original LPs' obligations for outstanding capital calls
- Initiated by an investor or limited partner (LP) seeking liquidity and portfolio adjustments

GP-led transaction

- The secondary buyer invests in a Continuation Vehicle/Fund, which:
  - — Is set up to acquire one or more portfolio companies of a predecessor fund
  - — Will continue to be managed by the fund's GP
- Initiated by a fund manager or general partner (GP) seeking to offer liquidity options to their existing LPs and/or to secure more time/ capital for their companies to generate value

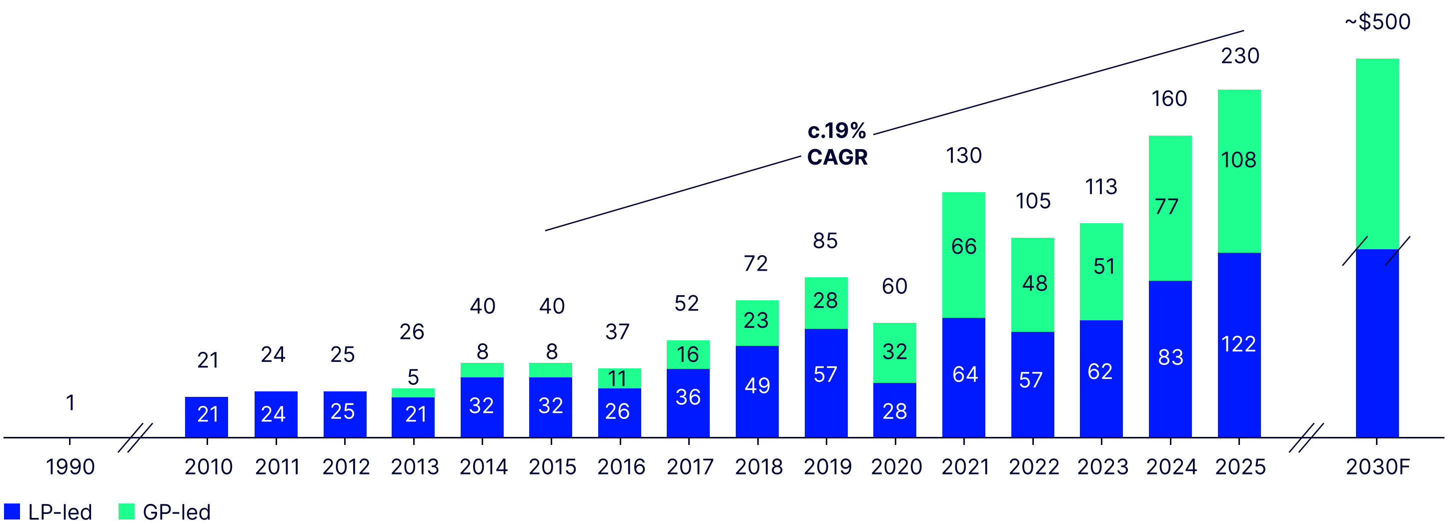
Source: State Street Investment Management.

Its evolution and maturity are also reflected in the market's increasingly diversified composition, both by transaction type—with GP-led transactions now representing almost half of transaction volume[2]—and by strategy, as fast-growing areas such as credit, infrastructure, and venture secondary funds emerge as their respective primary markets grow, deepen, and mature.

For many institutional investors, access to this opportunity set is most practically achieved through dedicated secondary funds, which can provide diversified exposure across transaction types, managers, vintages, and strategies.

The expansion of the secondaries market historically has been driven in part by a more challenging exit environment across private markets, with liquidity and limited exit routes cited as the leading concern by 80% of institutional investors, alongside asset-valuation considerations and broader portfolio-management needs.[3]

Figure 1: Secondary market assets under management and GP-led and LP-led shares (1990–2030F)



Source: Coller EQT using Greenhill, Campbell Lutyens, Evercore, Jefferies, Lazard as of February 2026.

Beyond liquidity: The portfolio role of secondaries

At this stage of the market's evolution, the case for allocating to secondary funds extends beyond the market's traditional association with liquidity provision. The diversification, implementation efficiency, cash-flow management, and portfolio-construction disciplines that have long shaped public-market investing can now be applied more deliberately to private markets, with secondary funds providing one of the most effective tools to support that transition.

Increasingly, secondary fund strategies are being used as practical tools to help investors **construct, manage, and expand** private markets programmes.

1 **Portfolio Construction**

2 **Programme Management**

3 **Portfolio Access**

Note: The benefits covered in this paper primarily refer to allocations to, or investments in, secondary funds.

Figure 2: Summary of portfolio benefits of secondary funds

Portfolio construction	Portfolio management	Portfolio access
• Complementing primary fund commitments • Increasing exposure to mature assets • Managing vintage exposure • Potentially reducing concentration to individual managers, sector and vintages	• Managing commitment capacity • Accelerating deployment • Balancing new commitments against distributions • Potentially creating a different cash-flow profile from primaries	• Accessing mature companies and assets • Accessing managers and strategies where primary capacity may be constrained • Gaining exposure to established portfolios rather than waiting for new vintages to mature

Source: State Street Investment Management. Non-exhaustive list of benefits, for illustrative purposes only. As of August 2026.

1. Portfolio construction

From a portfolio-construction perspective, secondaries can complement primary commitments by helping investors design private markets allocations more deliberately. By providing exposure to more mature assets, diversified vintage years, and a broader mix of managers, sectors and strategies, secondary funds ould possibly reduce reliance on any single commitment cycle while potentially mitigating concentration risk.

In practice, a single allocation to a secondary fund can provide access to more than 200 GPs across different strategies, more than 10 vintage years and several thousand companies globally.[4] This could make secondaries a useful complement to traditional primary commitments for allocators seeking to build more balanced and resilient private-markets portfolios over time.

Figure 3: Look-through comparison of primary fund and secondary fund commitment

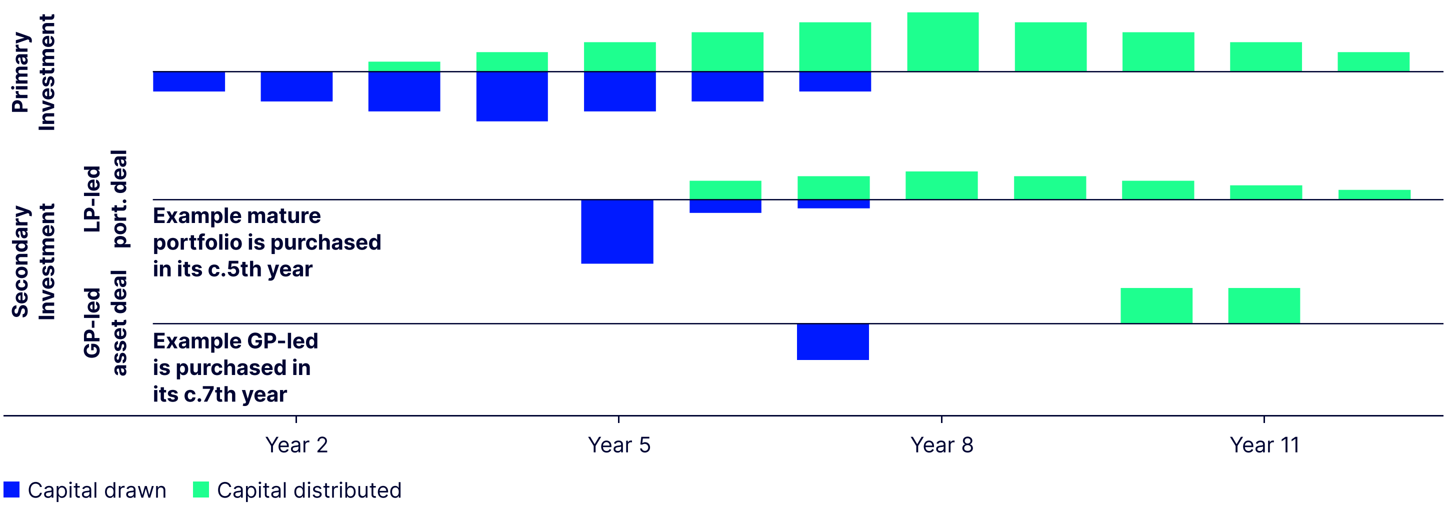
	Primary fund commitment	Secondary fund commitment
GP	One	>200
Strategy	One	• 2 at fund-level (GP-led and LP-led) • c.3 at GP-level (buyout, growth, credit)
Geography	Single country, pan-regional, global	Global (US, Europe, APAC)
Sectors/Niches	1-Many	All
Type of deal	Single companies only	• LPs portfolios • Single assets and multi-assets CVs
# of companies	8–20	>3,000
Vintage year	One – c.5 investment years	>10

Sources: State Street Investment Management, based on the typical features of a primary mid-market fund with a max. of 20 portfolio companies and Coller EQT flagship fund series. For illustrative purposes only.
Diversification does not ensure a profit or guarantee against loss.

2. Programme management

Allocations to secondary funds can help allocators manage private markets programmes more efficiently. Compared with primary commitments, secondary funds can often accommodate larger average commitment size[5] while maintaining attractive diversification, allowing investors to deploy capital more quickly, and scale their programmes with greater operational efficiency. This can be particularly valuable for allocators seeking to build exposure rapidly with limited investment resources. Secondaries can also help balance new commitments against distributions and create a more flexible cash flow profile than primary-only programmes.

Figure 4: Cash-flow profile of primary and secondary fund investments



Source: Coller EQT. For illustrative purposes only. As of August 2026.

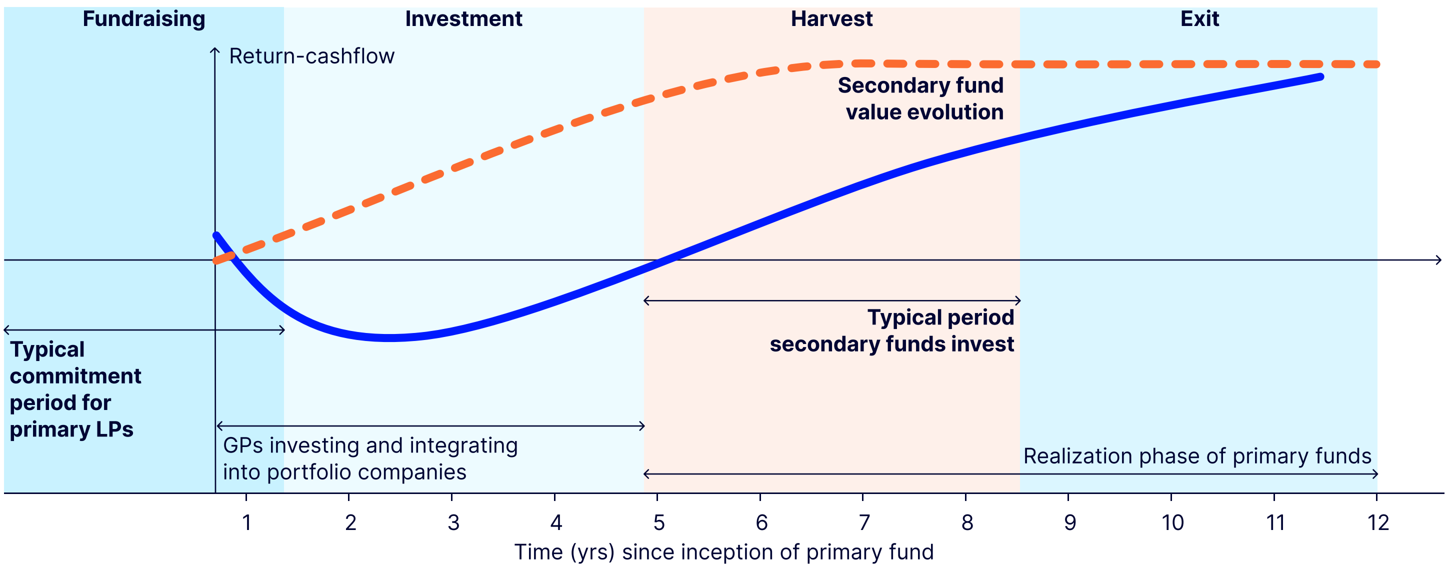
3. Portfolio access

The diversified exposures available through LP-led portfolios and GP-led transactions within secondary funds can enable allocators to access strategies, managers, and geographies that may otherwise be difficult for institutional investors to source directly. This is particularly relevant for balanced secondary funds with a meaningful allocation to GP-led transactions, which are often bilaterally negotiated, require extensive due diligence, and may be difficult for many allocators—particularly smaller institutions—to access on a standalone basis.

Private credit secondaries can further broaden portfolio access by providing exposure to seasoned credit portfolios, potentially offering more compelling entry points, reducing blind-pool risk, and accelerating deployment relative to primary commitments.

Finally, investing through a secondary fund can provide exposure to more mature assets, where value creation is already more visible and expected holding periods may be shorter.

Figure 5: The J-curve mitigation of secondaries



Source: State Street Investment Management and Coller EQT. The J Curve is the typical pattern of returns of Private Equity: during the investment period the fund's performance is typically negative due to management fees, fund expenses, and capital deployment. As the portfolio companies increase in Fair Market Value/ are exited for profit, the trend slowly becomes positive. For illustrative purposes only. As of August 2026.

Implementing secondary funds in an investor portfolio

For investors, the practical question is no longer whether secondaries could provide liquidity to the private-markets ecosystem, but how they could be incorporated into portfolio design and programme management. Used deliberately, allocations to secondary funds may sit alongside primary commitments as a tool to scale exposure, manage pacing, reduce concentration and improve visibility on underlying assets and cash flows.

Defining the role of secondary funds by investor type

The role of secondary funds will vary depending on an investor's starting point, programme maturity and level of sophistication.

Investors building a new or underweight private markets allocation may use secondary funds to shorten the ramp-up period and reduce the blind-pool exposure typically associated with primary commitments. More mature programmes may use secondaries to rebalance exposures, support more disciplined commitment pacing, enhance cash-flow visibility, complement distributions and improve capital efficiency. In each case, the objective should be to define the role of secondary funds within the overall allocation, rather than treating them as a standalone or purely opportunistic sleeve.

Implementation strategies should then reflect that role.

For investors entering private markets for the first time, secondary funds can provide a practical way to begin building exposure immediately, offering diversified access through a single commitment in a cost-effective and resource-efficient manner. For investors with larger and more sophisticated programmes, implementation should begin with a more detailed review of the existing portfolio, assessing current exposure by strategy, vintage year, manager, geography and liquidity profile, and identifying where secondary funds can address specific gaps.

In private equity, this may mean adding exposure to more mature assets, increasing diversification across vintages and managers, or adjusting exposure to specific sectors and regions. In private credit, secondary funds may help investors access seasoned loans and portfolios, accelerate deployment and manage concentration as programmes grow.

Manager selection and due diligence

Manager selection is central to implementation. Investors should assess the breadth and quality of a manager's access to LP-led and GP-led opportunities, as well as the intended balance between these exposures within the proposed fund.

Key diligence areas should include the length, quality and consistency of the track record; specialist expertise across equity and credit; underwriting, valuation and pricing discipline; portfolio construction and risk management; and the operational infrastructure required for institutional reporting, monitoring and execution.

Investors should also assess the fee structure in the context of expected net returns, cash-flow characteristics and the role of the fund within the overall private markets allocation, as higher fees need to be justified by the value delivered at portfolio level.

The ability to source, diligence and structure transactions is particularly important in areas of the market that are less accessible to individual allocators, including complex GP-led transactions and segments such as credit secondaries.

Building more flexible private markets portfolios with secondary funds

In summary, secondary funds should be viewed as a strategic component of the private markets toolkit, rather than being seen solely through the lens of liquidity.

By combining primary fund commitments with equity and credit secondary fund strategies, investors can build, scale, diversify and manage private markets exposure with greater flexibility over time, while also supporting cash-flow planning, commitment pacing and capital efficiency. The implementation challenge is to define the role of secondary funds within the overall allocation, determine the right mix for the portfolio, align it with cash-flow needs and governance resources, and select managers capable of executing across a broad and increasingly specialised secondaries market.

Endnotes

1 Coller EQT using Greenhill, Campbell Lutyens, Evercore, Jefferies, Lazard as of February 2026.

2 Coller EQT using Greenhill, Campbell Lutyens, Evercore, Jefferies, Lazard as of February 2026.

3 Preqin Global Reports 2026, published December 17, 2025, drawing on a proprietary Preqin survey of 435 institutional participants, including fund managers and limited partners, conducted during 2025. Eighty percent of respondents identified exits as a top concern for the following 12 months. Accessed August 2026. https://www.preqin.com/global-report

4 State Street Investment Management's assessment based on the typical features of a primary mid-market fund with a max. of 20 portfolio companies and Coller EQT flagship fund series, as also reflected in Figure 3. As of August 2026.

5 Based on the comparison between the average commitment to mid-market fund and a secondary fund, as average secondary fund sizes are materially larger than buyout/primary style funds. Source: Private Equity International. Secondaries funds the largest on average among those closed last year.

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