



The **Alternative Investor**

Performance
News
Trends

Regulatory updates

**Unlocking
liquidity and
value in the
evolving global
secondaries
market.**

This month, our features dive deep into the fast-expanding secondaries market, a once-niche segment of private equity now reshaping global private capital. With volumes surpassing \$100 billion in the first half of 2025, secondaries have become a vital mechanism for liquidity and portfolio management. Contributors from Multiplicity Partners, Federated Hermes, Simmons & Simmons, and CSC examine the forces behind this surge, from LP-led portfolio sales and GP-led continuation vehicles to structured solutions like NAV financing and preferred equity. Together, they reveal how data, technology, and standardisation are transforming deal efficiency, transparency, and access, helping turn secondaries from a specialist trade into a core pillar of the private-markets ecosystem. In Letter from America, Mark Kollar of Prosek Partners explores the AI-fuelled data-centre boom, a trillion-dollar "gold rush" transforming private credit as lenders race to finance infrastructure and power assets at unprecedented scale. In Opinion, New North's Andrew Brown spotlights litigation funding, a rapidly growing, uncorrelated asset class offering investors diversification and steady returns through targeted investments in mid-sized legal claims.



Macro Steals the Spotlight in September

With US equity markets advancing on expectations of monetary easing and robust corporate earnings (see [market review](#)), hedge funds generally performed well, with the HFRI Fund Weighted Composite Index up 2.4% for the month.

In this environment, equity managers - for once - were not the best-performing strategy, coming in second with the HFRI Equity Hedge (Total) Index up 2.6%, taking the year-to-date gain to 13.6%. Within equities, Healthcare surged ahead, rising 6.9%, while Energy/Basic Materials also enjoyed a strong month, up 6.4%. Multi-Strategy funds followed with a 4.7% gain.

In the event-driven space, the HFRI Event-Driven (Total) Index rose 1.2%, lagging equity strategies due to a few negative performers. The Multi-Strategy sub-index advanced 2.4%, closely followed by Distressed/Restructuring at 2.3%, while Activists and Credit Arbitrage each slipped 0.5%.

Macro was the real standout this month, with the HFRI Macro (Total) Index up 3.4%. With markets buoyed by clearer policy direction from central banks and a renewed appetite for directional trades, macro funds benefited from trending moves across rates, commodities, and currencies. The HFRI Systematic Directional Index rose 4.5%, though it remains down 2.4% year-to-date. Trend-Following Directional strategies gained 4.0%, and Discretionary Thematic added 2.1%.

Relative Value strategies also had a solid month, with the HFRI Relative Value (Total) Index up 1.3%, led by Fixed Income Sovereign and Convertible Arbitrage, both advancing 2.7%.

Regionally, China stood out once again, with the HFRI China Index up 5.3%, taking year-to-date gains to 22.3%. Latin America followed at +3.5%, and MENA at +3.4%, while North America gained 1.8% and Western Europe 1.4%. The only negative regions were India (-0.4%) and Japan (-0.2%).

UPCOMING EVENTS

15 October 2025
Wood MacKenzie LME Forum

16 October 2025
8th Private Equity San Francisco Forum

20 October 2025
ABS East 2025

23 October 2025
SuperReturn Middle East

28 October 2025
Pension Bridge Alternatives 2025

Click [here](#) to see all the listings

>\$100bn

Secondaries volume in H1 2025. 42% increase on H1 2024.

Source: Secondaries Investor

70%

Private equity share of secondaries fundraising in H1 2024

Source: Secondaries Investor

Brookfield Raises \$4bn for Infrastructure Debt Fund IV

Investor appetite for long-dated infrastructure credit remains strong, with Brookfield announcing a first close of over \$4 billion for its latest vehicle, Brookfield Infrastructure Debt Fund IV (BID IV). This fund will provide long-term, risk-adjusted financing to infrastructure assets that generate predictable cash flows through regulation, long-term contracts, or concession frameworks. Building on the success of its predecessor, BID III, which closed at around \$6 billion in 2023, BID IV's focus is on energy transition, digital infrastructure, transportation and utilities. The previous fund deployed capital across North America, Europe, and Asia-Pacific, financing assets including renewable energy portfolios, fibre networks and logistics platforms.

Bain Capital Closes \$14bn Flagship Buyout Fund

Bain Capital closed its 14th private equity fund at \$14 billion, exceeding its initial \$10 billion target. The vehicle drew \$11.8 billion from external investors, with Bain contributing the remainder; its largest ever GP commitment. The fund will target opportunities across healthcare, technology and financial services globally, focusing on operational improvement and long-term value creation.

Abu Dhabi Eyes Record AI Megafund

Abu Dhabi's ambitions in alternative investments are not slowing down, with MGX reportedly preparing a \$25–50 billion raise for its debut private equity fund targeting AI infrastructure and semiconductors. Backed by sovereign investor Mubadala (and AI partner G42), MGX will target investments in AI infrastructure, data centres, semiconductors and adjacent technologies. The scale of the proposed raise sets a new benchmark, while its exclusivity, with minimum LP commitments of \$500 million, narrows the pool of potential investors to only the largest institutions. MGX's strategy signals not only the global appetite for AI-linked investments but also Abu Dhabi's ambitions in alternatives.

UPDATES (cont.)

Monterro Hits €1.4bn Hard Cap for Nordic Software Fund V

Monterro closed its fifth flagship vehicle, Monterro Fund V, at its €1.375 billion hard cap, just over four months after entering the market. The Nordic-focused private equity manager, known for its buyout and growth investments in B2B software, also raised a €350 million growth fund (Monterro Growth II), taking total new capital commitments to €1.725 billion. Fund V continues Monterro's strategy of acquiring controlling stakes in established software companies across the Nordic region, supporting international expansion, product development and operational scaling.

Ridgemont Equity Partners Raises \$4bn Flagship Buyout Fund V

Ridgemont Equity Partners closed its fifth flagship buyout fund at \$3.975 billion, surpassing the \$2.75 billion target to hit its hard cap. Charlotte-based Ridgemont focuses on middle-market growth and buyout opportunities, and is typically looking to invest \$50 million

to \$500 million of equity per transaction. Investments include healthcare services, business and industrial services, and technology/telecom, often partnering with founders and management teams to drive growth and operational improvements.

Avenue Scores \$1bn Windfall

Avenue Capital Group closed its Avenue Sports Fund, with commitments exceeding \$1 billion. The vehicle is investing across the sports sector, with a flexible mandate that spans both equity and debt to back professional teams, leagues and sports-adjacent businesses in an industry undergoing rapid transformation. The fund will also target financing for new stadiums, media rights ventures, and enterprises tied to fan engagement and

sponsorship.

By combining traditional private equity and private credit strategies, Avenue positions itself to participate in both growth opportunities and restructuring situations.

The successful fundraise highlights strong investor appetite for sports as an asset class, where limited franchise supply and strong ongoing demand for live entertainment continue to drive valuations higher.

Galvanize Raises \$1.3bn for Energy Transition Strategy

Galvanize Climate Solutions has raised \$1.3 billion for a credit investment strategy designed to fill financing gaps in energy transition. The platform, co-founded by former presidential candidate Tom Steyer is offering structured credit to renewable and decarbonisation projects. The fund is anchored by a single unnamed large institutional investor.



UPDATES (cont.)**Meridiam Closes \$1.8bn North America Fund V**

Meridiam closed Infrastructure North America Fund V at approximately \$1.8 billion. The Paris-based firm, founded in 2005, specialises in sustainable, long-term infrastructure, and this latest fundraise exceeds the size of its predecessor, Fund IV, which closed at \$1.2 billion. Fund V will invest in renewable energy, transport, and social infrastructure projects across North America, with a strong focus on measurable ESG impact and community outcomes.

Stonepeak Targets \$4bn for Second Asia Infrastructure Fund

Stonepeak is fundraising for its second Asia Infrastructure Fund, Stonepeak Asia Infrastructure Fund II, targeting \$4 billion, reflecting the surging demand for infrastructure exposure in Asia. The firm's first Asia vehicle closed at \$3 billion in 2021. Fund II is expected to invest in digital

infrastructure, energy transition assets, and essential transport networks, leveraging its global \$65 billion platform and local partnerships across key Asian markets. Early reports suggest strong LP interest, with around \$1 billion already committed.

OPINION**A Compelling Alternative Investment**

Litigation funding is not new – it involves a third party, unconnected to a legal claim, providing financial support for part or all the costs of pursuing it in return for a pre-agreed fee, payable only if the claim succeeds. The model is well established in the UK and US and has become increasingly attractive to global investors seeking to diversify away from traditional assets such as equities, bonds, and real estate.

A notable advantage of litigation funding is its 'uncorrelated' performance relative to broader market conditions. Unlike conventional investments, returns are determined by the outcome of specific legal claims, rather than by economic cycles, interest rates, or geopolitical events. Such resilience has become particularly relevant in recent years, as markets have faced disruptions from pandemics, military conflicts, trade tensions, and policy shifts.

Investors can choose to back single claims, although many opt for greater diversification of a portfolio approach. In practice, the lion's share of the industry's capital is directed towards high profile, high value, disputes – the likes of Dieselgate, the Mastercard litigation and the UK postmasters' case. These headline claims offer the prospect of significant returns on investment, but they also carry significant risks. They can consume considerable legal resources and can take years to resolve, as defendants often prefer to contest claims through trial and appeal rather than settle early. Furthermore, there are instances where such claims concluded for far less than anticipated, underscoring the

importance of careful risk assessment and case management.

This focus on blockbuster claims has left a gap in the market. Mid-sized disputes seeking damages under £30 million are often overlooked, despite their frequency. Yet such cases can be an investment opportunity because they often settle quicker than the larger 'lottery ticket' litigation allowing for faster recycling of funds for investment on other cases, and greater diversification of investments. With larger funders not suited to underwriting smaller cases, specialists such as New North have built their model around this space, not only widening access to justice but also generating a wider deal flow for investors.

As with any alternative investment, selecting the right litigation fund is crucial. Investors should consider not only the funder's due diligence and pricing strategies but also their ongoing management of claims. Typically, funders do not control the litigation process (except in certain insolvency claims purchased in the UK); responsibility remains with the claimant. Funding agreements require claimants and their legal teams to collaborate with funders, enabling effective monitoring and management of any changes in case duration, costs, legal context, claim value, or recovery prospects.

Andrew Brown, Chief Investment Officer, New North

New North is the first UK litigation fund owned and led by experienced litigators, bringing deep expertise in building and winning claims to offer faster and fairer funding terms for claimants. Other funds may outsource litigation expertise on a case-by-case basis to supplement their financial analysis and internal assessment but it will come at a price.

UPDATES (cont.)

HG Eyes Entry into Secondaries Market

Growing deal flow and record secondary volumes have prompted HG to explore launching a dedicated secondaries strategy. According to reports, the London-based firm is exploring a dedicated strategy to capitalise on the growing deal flow, which reached a record \$102 billion in the first half of 2025. The shift reflects a broader trend, where traditional buyout giants, including KKR, Blackstone and Apollo, have all built significant secondaries businesses in recent years, positioning themselves as liquidity providers while retaining exposure to trophy assets.

NBIM Enters Energy Transition Market

Norway's sovereign wealth fund, managed by Norges Bank Investment Management (NBIM), committed \$1.5 billion to Brookfield Asset Management's Global Transition Fund II, its first investment in a dedicated energy-transition vehicle.

The fund will deploy capital globally into renewable energy infrastructure,

sustainable solutions, and business transformations aimed at addressing climate change.

NBIM's Global Head of Energy and Infrastructure, Harald von Heyden, said: "This agreement marks our first investment in an energy transition fund. BGTF II will enable us to invest in projects that develop renewable energy

infrastructure while also supporting the broader transition to low-carbon solutions across industries." He added, "after thorough due diligence on both investment and non-financial risks, we are confident in our selection of Brookfield as a partner for this important investment."

EA Agrees to \$55bn Deal in Record LBO

The largest private-equity-led buyout in history was announced as Electronic Arts (EA) agreed to a \$55 billion all-cash leveraged buyout. A big hitting consortium of investors – Silver Lake, Saudi Arabia's Public Investment Fund (PIF), and Affinity Partners – is backing this landmark deal.

The transaction combines about \$36 billion in sponsor equity, including a rollover of PIF's ~9.9% stake, with \$20 billion of debt financing

underwritten primarily by JPMorgan. EA shareholders will receive \$210 per share, a roughly 25% premium to the company's pre-deal price. Silver Lake, will help steer strategy, while PIF and Affinity add scale and geopolitical reach. As the announcement stated, the consortium aims to "support EA in accelerating growth, expanding player communities, and investing in innovative content."

UPDATES (cont.)

Quant Pioneer Expands into Discretionary

D.E. Shaw is looking to raise over \$3 billion for its Cogency Fund, the firm's first discretionary hedge fund. Better known for its quantitative strategies, the launch is a shift for the quant firm. According to reports, investor interest has been strong, reflecting a broader trend of allocating to discretionary strategies that can exploit market dislocations more flexibly than systematic models. Cogency will emphasise macro and credit opportunities, with risk management supported by D.E. Shaw's "deep" quantitative infrastructure. The raise also demonstrates continuing LP appetite for the brand-name hedge funds.

Hedge Fund Shakeout Claims Eisler Capital

Mounting industry pressures and subdued returns have led Edward Eisler to shutter his decade-old hedge fund. Bloomberg, which first reported the story as an exclusive, noted that the firm has begun winding down after years of mixed performance, rising costs, and falling investor confidence. Founded in 2015, Eisler Capital was built on its founder's reputation as a former senior partner at Goldman Sachs, blending macro trading with an evolving multi-strategy approach.

At its peak, Eisler oversaw around \$4 billion, but recent returns failed to meet expectations. In 2024, Eisler delivered only about 3% net. In recent years, the fund has shifted towards a more pod-based, multi-manager structure to spread risk and pursue diversified returns. Yet escalating competition for top talent and rising pay demands undermined the economics of the model. Earlier this year, Eisler cut roughly 15% of staff to rein in expenses.

Global Secondaries Volumes Hit Record \$103bn in H1 2025

In a year when traditional exits remain subdued, the secondaries market has surged to record-breaking heights. Global secondaries volumes hit \$103bn in H1 2025, which is a 51% YoY rise and the busiest half-year ever, according to Secondaries Investor and Jefferies. LP-led deals dominated, with \$56 billion, as pensions and endowments rebalanced overallocated portfolios, while GP-led continuation funds surged 68% to \$47 billion, expanding into credit, venture, and real assets. Average pricing held steady at 90% of NAV, underscoring strong demand

(and arguably high quality positions). Jefferies also points to \$302 billion of dedicated secondary capital, an all-time high, fueled by both institutional fundraising and inflows from evergreen retail structures. Innovative formats, such as stapled deals, are gaining traction; while credit and real estate secondaries are broadening the market's scope. With IPOs and M&A exits still muted, secondaries remain the system's key liquidity release valve, and momentum looks set to carry through year-end.

Petershill Partners to Delist from London Stock Exchange

Persistent undervaluation and thin liquidity on the London Stock Exchange has driven Goldman Sachs backed Petershill Partners to go private. Despite reporting a 9% year-on-year increase in partner distributable earnings to \$152 million and adjusted profit after tax of \$124 million in H1 2025, Petershill's shares continued to underperform. The company will return \$4.202 per share to investors, a 35% premium to its last closing price.

This is not an isolated case but part of a wider malaise. The UK market has seen a collapse in IPO issuances, with just £160 million raised in London in the first half of 2025, one of the lowest totals on record. Petershill's withdrawal follows a string of companies deciding that London listings fail to deliver adequate liquidity, valuation multiples, or investor support. The move adds to the mounting perception that London struggles to compete as a

global listing venue. Yet the decision also raises questions about Petershill itself. Its model of taking minority stakes in alternative asset managers brings opacity and earnings volatility, especially as its fee-related earnings fell. With Goldman Sachs-managed funds owning almost 80% of the stock, the delisting was arguably driven more by the strategic interests of the majority owner than by minority shareholders.

LETTER FROM AMERICA**prosek**

Private Credit Becomes Vital Player in AI-Driven Data Centers Gold Rush

The modern-day gold rush is no doubt an AI-driven mad dash to investments in data centers.

So far, companies are on a tear to build these hubs to meet AI demand. Consensus estimates are hard to come by, but Microsoft alone intends to spend \$80 billion this year, and some speculate capex numbers between \$400 billion to \$500 billion in total for all in 2025.

However, this seems to be early days and early guesses. Further out, according to research by Morgan Stanley, some \$3 trillion is needed over the next four years to meet build-out demand. And that's on the conservative side. (Some say as much as \$5 trillion, but let's stay conservative for right now.)

So how does this translate along the capital stack? Let's break it down.

Industry experts estimate that of that \$3 trillion, half - or \$1.5 trillion - will be financed by public and private credit, a substantial number indeed.

Of that \$1.5 trillion - again roughly half, or \$750 billion - is expected to come from the private-credit market over the next four years. Now it gets interesting when you look at current issuance because that equals about the size of private-credit fundraising on an annual basis. In effect, the private debt market is expected to double pretty darn quick.

All the benefits of private debt come into play for the borrowers such as speed, customization (complicated assets to collateralize) and scale with adjacent assets. The need is not just on the data centers but for power as well ongoing maintenance and upgrades for generation, storage or the grid, leading in effect to more project-type structures. That

means with the chances for unscheduled activity flexibility is key, something traditional lending markets can't really match or supply easily enough.

All this hyperbolic language around hyperscalers or just plain-old scalers does come with risks. Looking at the assets themselves, tech may become outdated in a short period of time, grid connections may be delayed, or permit waits too long, but those appear to be speed bumps instead of serious hurdles. And from a macro standpoint, there is always the threat of a bubble or concerns of overbuilding in what may seem like data-center frenzy,

This gold rush, no matter what, is transforming private credit. What's immediately evident is that data centers are a massive new asset class for lenders, allowing credit managers to generate steady long-term returns whether through asset-backed loans or infra debt. What's more, the market is becoming much more innovative,

analysts say, with new and complex structures such as cash-flow based project finance. We are also seeing private credit financing large-cap or public companies such as PIMCO and Blue Owl Capital's \$29-billion package for Meta data-center expansion.

But it can get even more hyper. Jeff Bezos of Amazon fame predicted recently at a conference in Turin, Italy, according to published reporters, that gigawatt-scale centers will be built in outer space in a decade or two, powered by solar energy. Roadshows may never be the same again.

Mark Kollar
Partner, Prosek Partners



...data centers are a massive new asset class for lenders, allowing credit managers to generate steady long-term returns whether through asset-backed loans or infra debt.



GUEST ARTICLES

Liquidity in Private Markets: Still Concentrated in a Few Corners

Andres Hefti, Partner, Multiplicity Partners

The private markets secondary industry has expanded significantly over the past decade. What started as a niche corner of private equity is now a global market of around USD 160 billion in 2024, according to Setter Capital. Activity has spread into private credit, infrastructure, real estate, hedge funds and other areas. Yet when compared to the size of the underlying markets, most of the liquidity remains concentrated in private equity.

Why does liquidity matter? For limited partners, secondaries provide a crucial tool to actively manage portfolios, rebalance exposures and recycle capital. In contrast to the illiquid nature of primary commitments, the ability to sell or adjust positions helps investors respond to shifting market conditions, manage risk or free up resources for new opportunities. The availability of liquidity therefore plays a major role in the appeal and sustainability of private markets as a whole.

Setter Capital's 2024 figures underline the scale of

the imbalance. Private equity secondaries accounted for about USD 143 billion of trading volume, equal to roughly 1.3% of the sector's USD 10.8 trillion in assets under management. By contrast, private credit saw USD 11 billion of trades against USD 1.6 trillion AUM (0.7%). Infrastructure traded USD 7.5 billion out of USD 4.5 trillion (0.2%), and real estate just USD 2.8 billion versus USD 5.1 trillion (0.06%).

In other words, private equity enjoys a reasonably well-developed secondary market, while other asset classes remain far less liquid. The picture is even more limited in niche areas such as royalties, forestry funds, hedge fund side pockets or insurance-linked securities. While these markets exist, only tiny amounts trade each year as very few buyers are prepared to underwrite such exposures.

Geography compounds the imbalance. Most activity is concentrated in North America and Western Europe, while Asia, Latin America, Africa and other regions



GUEST ARTICLES (cont.)

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Portfolios with strong brands and performance attract competitive pricing, while older vintages, less fashionable strategies or complex exposures struggle to find buyers.”

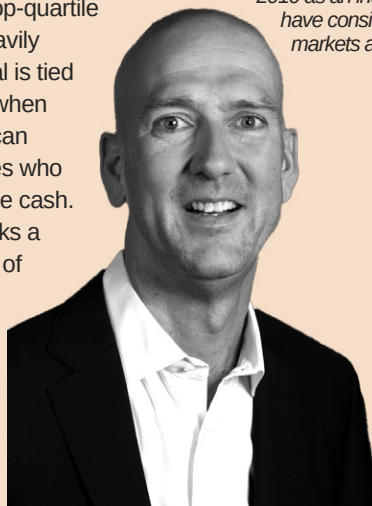
Andres Hefti, Multiplicity Partners

remain far less active despite rapid growth in private market assets. This geographic skew limits investor flexibility in parts of the world where private markets are expanding fastest.

Buyer preferences also reinforce the concentration. Investors often target the best-known funds and highest-quality growth assets. Portfolios with strong brands and performance attract competitive pricing, while older vintages, less fashionable strategies or complex exposures struggle to find buyers. A recent development is the acceptance that certain tail-end funds—particularly in emerging markets—may never recover their NAV and need to change hands at steep discounts to clear.

This behaviour highlights an important point: private markets are not made up solely of top-quartile funds. While the best names are heavily sought after, a large portion of capital is tied up in funds that attract little interest when investors seek liquidity. That reality can frustrate institutions and family offices who need to adjust exposures or generate cash. The industry's growth therefore masks a persistent gap between the promise of liquidity and its actual availability.

Looking forward, there are reasons for cautious optimism. Private credit is on a trajectory to develop a more active secondary market, given its scale and shorter-duration characteristics.



Infrastructure and real estate may also follow, particularly as investors push for more flexibility in long-hold assets. Broader geographic participation should gradually improve as local buyers and dedicated funds emerge.

Still, the secondary market today remains uneven. Liquidity is plentiful for a narrow set of funds, but scarce for the rest. Our mission is to serve those overlooked corners - because broadening access to liquidity means turning unmet demand into profitable opportunities.

Andres Hefti, Partner, Multiplicity Partners

Multiplicity Partners is a Switzerland-based secondaries investor with a broad mandate, focused on special situations and niche opportunities often overlooked by traditional buyers. Founded in 2010 as an intermediary before launching its own funds, we have consistently sought to provide liquidity in underserved markets and complex positions.

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GUEST ARTICLES (cont.)

Innovation in Secondaries

Sanjeev Phakey, Head of Secondaries, Federated Hermes Private Equity

The prolonged dormancy of the exit market is leaving investors without cash to commit to new opportunities, in turn putting increased pressure on private equity managers to increase distributions to their investors. Necessity is the mother of invention, and we are currently seeing a fertile period for innovation in the secondaries market, as managers seek flexible solutions which best align with the goals of the fund at that point in time and consider new options to ensure delivery of the optimal outcomes for their LPs. Likewise, LPs are increasingly turning to the secondary market for liquidity – this is reflected in secondary volumes which are widely expected to see a record year, for the second year in a row.

The evolution of the secondary market is illustrated by the rise of GP-leds. Previously dominated by LP transactions, GP-led transactions now account for between 45-50% of deal volumes, according to industry data. Once viewed as a niche solution for distressed assets or underperforming funds, GP-led secondaries have matured into a sophisticated,

strategic tool for fund managers. GP-led transaction volumes continue to benefit from constrained exit markets where multi- and single-asset continuation vehicles enable GPs to deliver liquidity back to their LPs whilst also holding on to strong performing assets that have continued runway for growth. GPs increasingly view GP-led transactions as a viable exit option alongside the three traditional exit routes and we believe that GP-leds will continue to be a significant component of the secondary market regardless of when the M&A market recovers given the backlog of companies held in private equity portfolios as well as the desire of GPs to continue to benefit from truly trophy assets.

Structured solutions such as preferred equity and NAV financing are being used more frequently to manage portfolios and unlock value, offering a flexible and scalable solution. GPs increasingly use structured solutions to manage liquidity, extend fund life and support portfolio companies whilst LPs can use structured solutions to access liquidity whilst



Once viewed as a niche solution for distressed assets or underperforming funds, GP-led secondaries have matured into a sophisticated, strategic tool for fund managers.

Sanjeev Phakey, Federated Hermes Private Equity

GUEST ARTICLES (cont.)

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Democratising access to secondary opportunities through permanent capital vehicles, such as '40 Act funds, goes some way to ensuring that capital sources are available to support rapidly growing secondary volumes.

Sanjeev Phakey, Federated Hermes Private Equity

retaining relationships with preferred managers and maintaining exposure to the upside. Structured solutions increasingly make sense where the effect of discounts is accentuated by the lack of DPI and often offer a quicker and simpler route to meaningful liquidity compared with a traditional sale.

The secondary market has not just evolved in its use of capital but also in terms of sources of capital. Democratising access to secondary opportunities through permanent capital vehicles, such as '40 Act funds, goes some way to ensuring that capital sources are available to support rapidly growing secondary volumes.

Against a challenging market backdrop, managers that can offer creative and flexible liquidity solutions will be able to differentiate themselves in an industry where funds are increasingly remaining illiquid for an extended period. Despite its growing relevance, accessing liquidity via the secondaries market through new and innovative mechanisms requires investment expertise and skills that are not currently widespread within private equity. Managers with specialist

in-house secondaries teams with the required track record and experience are therefore able to offer and deploy a breadth of strategies to provide a differentiated solution to one of private equity's biggest challenges.

Sanjeev Phakey, Head of Secondaries, Federated Hermes Private Equity

Federated Hermes Private Equity is an active and long-time investor in global private equity. For over 30 years, the firm has focused on co-investment, primary fund investment, secondaries and other specialist strategies, targeting the lower and mid-market. The business has a global presence with offices in New York, London and Singapore, with an experienced team of private equity professionals.



GUEST ARTICLES (cont.)

Five key considerations for LPs looking to tap the secondary market

Daniel Faundez (Partner, Private Funds) & Gugu Madonsela (Supervising Associate, Private Funds),
Simmons & Simmons LLP

LP-led secondary transactions continue to make up a significant portion of overall transaction volume in the secondaries market. Institutional investors and other limited partners (LPs) access the secondary market for a number of reasons: for portfolio management, to rebalance allocations and for liquidity management.

Although there are a number of sophisticated players in this space, some institutional investors on the sell-side may find themselves using this market infrequently or for the first time. This article sets out the five key considerations for an LP to consider before embarking on a secondary sale.

1. Internal House-Keeping

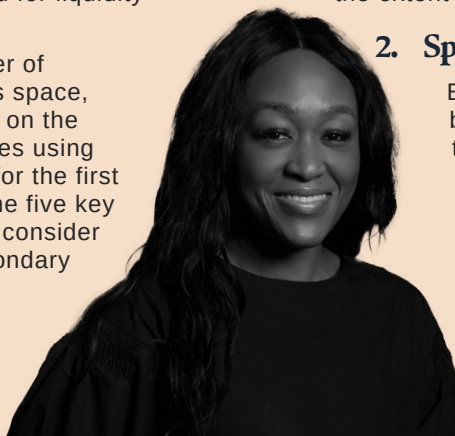
First of all, get your house in order. It

is worth spending time upfront organising fund documentation, which includes legal documents and financial statements (including capital call or distribution notices, capital account statements, quarterly financial statements and Schedule K-1s), to the extent available.

2. Speak to the experts

Engaging a specialist secondaries broker is key to streamlining the transaction process. Brokers are appointed to connect the selling LP with suitable potential buyers. Once a bid is accepted, the role of the broker is to act as an intermediary between LPs, fund managers and the buyer and to manage the transaction process.

A relatively small number of brokers cover the

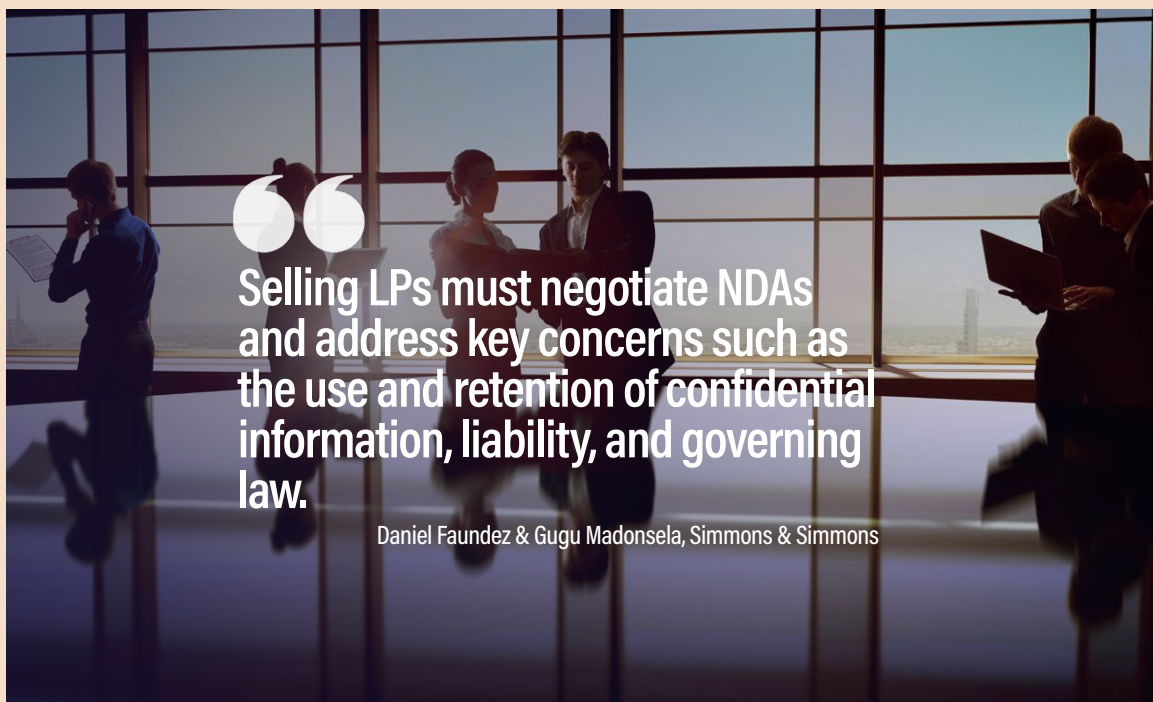


Gugu Madonsela, Simmons & Simmons LLP



Selling LPs must negotiate NDAs and address key concerns such as the use and retention of confidential information, liability, and governing law.

Daniel Faundez & Gugu Madonsela, Simmons & Simmons



GUEST ARTICLES (cont.)

secondaries market so they have a broad overview of market dynamics and pricing. LPs should seek insight from the broker on trends and pricing (as well as nuances relating to specific GPs / funds).

It is also worth speaking to a specialist secondary law firm that 'knows the market' and can talk the LP through the process. These conversations should be used as an opportunity to gauge the fees and transaction costs involved in selling a portfolio.

3. Preliminary Non-disclosure Agreements

At the outset of any LP-led secondary sale, certain confidential information will need to be shared with potential buyers. This stage requires careful consideration, as fund managers typically control access to sensitive information through robust non-disclosure agreements (NDAs). In addition, fund managers often require the use of a pre-agreed "buyer's NDA", which the selling LP is contractually obligated to enter into with each potential buyer.

The process can be complex for selling LPs, particularly when multiple buyers are involved. Selling LPs must negotiate NDAs and address key concerns such as the use and retention of confidential information, liability, and governing law. Engaging an experienced secondaries adviser can streamline these negotiations.

4. Transfer Restrictions and Consent Requirements

Selling LPs should undertake a thorough review of the governing documents making up the portfolio to identify any transfer restrictions. Such restrictions may encompass requirements to obtain consent from the general partner, fund manager, or other investors, as well as the need to comply with any rights of first refusal or pre-emption rights that may be applicable. The fund documents also often specify when transfers can be accommodated by the fund manager (typically a quarter calendar date). At this stage, any potential delays that may result from US Publicly Traded Partnership (PTP) rules should also be identified.



Daniel Faundez, Simmons & Simmons LLP

5. Looking for a clean exit?

Selling LPs looking for a clean break following a secondary sale need to carefully craft and negotiate the sale and purchase agreement (SPA) to be entered into with the buyer. The SPA is the legal agreement under which the selling LP contractually agrees to sell its interests to the buyer. The SPA deals with the mechanics relating to the sale (including pricing and any potential adjustments to the pricing) and closing (including any conditions precedent to closing).

Despite best intentions, it will be difficult to negotiate an entirely clean break. The selling LP will be required to give certain warranties in relation to itself and the interest and it is customary for these to survive for a period of time. In addition, certain obligations and liabilities (known as Excluded Obligations) are not "assumed" by the buyer and reside with the selling LP. It will be important to consider the scope of these warranties and Excluded Obligations. The selling LP will likely also want to limit the scope of the indemnity it gives in favour of the buyer and carefully consider limitations of liability.

To the extent that these are "red lines" for a selling LP, the earlier these are flushed out, the better (for example at MOU stage).

Conclusion:

In conclusion, while secondary transactions are becoming increasingly popular, being aware of the key issues to consider initially will help new LPs navigating the secondaries market move efficiently towards closing and avoid any surprises.

Daniel Faundez (Partner, Private Funds) & Gugu Madonsela (Supervising Associate, Private Funds), Simmons & Simmons LLP

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GUEST ARTICLES (cont.)

Secondaries Navigate Growth Amid Operational Hurdles

Jonida Vesiu, Director, Fund Solutions, CSC

The secondaries market is experiencing rapid expansion with transaction volume in the first half of 2025 surpassing \$100 billion, a more than 50% increase from H1 2024¹. Activity has been propelled by more limited partner (LP) portfolio sales, a broader set of general partner (GP) led solutions, and a well-funded buyer base that now includes steady inflows from evergreen vehicles. Together, these forces have kept processes competitive and pricing resilient.

LP-led deals remain the largest segment, focusing on North American and Western European funds with perceived higher-quality assets. Buyout portfolios continue to dominate, making up more than half of deal volume, while growth and venture, credit, and infrastructure secondaries are gaining share. GP-led activity is also accelerating, supported by technology-enabled liquidity solutions and a widening investor base that includes family offices, sovereign wealth funds, pensions, and insurers. Continuation vehicles,

both single-asset and multi-asset, account for a substantial portion of overall transaction volume, 87% of the H1 2025 GP-led transactions².

Pricing trends differ by asset class. Overall, price-to-NAV discounts have narrowed, reflecting greater investor confidence and elevated dry powder targeting secondaries. Buyout portfolio pricing remained strong at 94% of NAV, while venture capital saw the sharpest pricing increase at 78% of NAV, reflecting a stronger environment for venture capital-backed exits. Credit secondaries averaged 92% of NAV. Real estate, however, remained subdued at 71% of NAV amid higher borrowing costs and limited refinancing flexibility².

Despite the rapid growth, secondaries remain a small share of the broader private-asset universe. [Pitchbook](#) estimates secondary activity represents only about 3% of total NAV in funds older than five years. While



H1 2025 tells a story of rapid growth driven by increased LP sales, expanding GP-led solutions, and deepening buyer demand—compressing price-to-NAV discounts.

Jonida Vesiu, CSC

GUEST ARTICLES (cont.)



...Scaling requires better data, faster tech adoption, and industry collaboration.

Jonida Vesiu, CSC

activity concentrates on recent vintages, with more than 60% focused in post-2017 vintages, the market remains largely untapped representing trillions of dollars in potential future deal flow².

Path to scaling is marked by multiple challenges

Capturing the market's potential requires overcoming operational obstacles for both GPs and LPs. Fragmented data, inconsistent practices, and shifting regulatory requirements impede efficiency. Although LPs increasingly deploy data science and AI for sourcing and evaluation, complex transactions remain time- and resource-intensive and can take months to close. Negotiations require alignment on structure, pricing, strategy, data access, valuation, reporting and tax.

Standardization of industry practices and education is essential. Continued guidance and best-practice dissemination by industry groups such as [ILPA](#), [SBAI](#), and [Invest Europe](#), can improve transparency and harmonize processes and reporting. Wider adoption of specialized portfolio-management, administration, and accounting platforms, as well as access to robust data infrastructure and management tools will be critical to meet bespoke

information needs across market participants.

The path to scaling is multi-faceted, involving the strengthening of data infrastructure, acceleration of technology adoption, and optimization of workflows, supported by industry collaboration. Investment managers and fund and portfolio service providers are increasingly investing in data platforms and bespoke reporting tools that aggregate fund- and asset-level metrics, model cash-flow waterfalls, and track ESG indicators. Wider adoption of standardized industry practices and templates, together with richer, more frequent data, will further reduce friction and support the continued growth of the secondaries market. If GPs and LPs can solve data and process pain points, the secondaries market could unlock substantially more liquidity across a multi-trillion-dollar private markets base.

Jonida Vesiu, Director, Fund Solutions, CSC

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¹ [Evercore](#)

² [Jefferies](#)

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I can't really see any scenario between now and the next election where the Conservatives suddenly became become the main alternative on the ballot box to Labour. I think that's very, very unlikely

Sir Nick Clegg, Former President of Global Affairs at META, and Former UK Deputy PM



REGULATIONPresented by  **RQC GROUP****UK****Investment Firms Prudential Regime
("IFPR") Newsletter**

On 1 September 2025, the FCA published its latest [IFPR Newsletter](#), highlighting a number of prudential issues affecting investment firms subject to IFPR (codified in the FCA's "MIFIDPRU" sourcebook).

While much of the publication was not ground shaking news, the themes highlight an ongoing focus from the FCA. This comes on the back of earlier (2023) multi-firm reviews with the "IFPR [Implementation Observations](#)" and the "[Fast-Growing Firms Review](#)". Together, these publications help shine a light on the FCA's focus and concerns. With IFPR no longer a "new" regulation, the FCA is expecting higher standards of implementation.

Key takeaways from the September 2025 publication include:

Investment firm groups

Firms must ensure investment firm group ("IFG") structures are accurately identified and notified, including following control changes. Inaccurate group information risks misreporting and undermines the credibility of prudential submissions.

CET1 treatment – Limited Liability Partnership ("LLP") profits

The FCA has cautioned LLPs against mis-classifying allocated profits as common equity tier 1 ("CET1") capital. Unless profits are subject to restriction, they should be treated as liabilities, not regulatory capital. This technical point has an impact where overstating CET1 may lead to mis-calculated thresholds. LLPs should review member agreements carefully to confirm whether profits are genuinely available to absorb losses.

K-factor calculations

Clarification was provided on how to calculate K-AUM. This was not new, but reinforcing the existing requirements. By reiterating the rules, the FCA is removing any leniency for misreporting now that IFPR is almost four years old.

Wider lessons from previous FCA reviews

This all comes off the back of earlier FCA reviews. With the FCA expecting IFPR to now be fully embedded, it has identified common weaknesses such as:

- **Liquidity:** A failure to model cash-flows on a stressed quarterly basis and conflation of own funds and liquid assets. This poses regular challenges for many of our

clients where the impact of the liquidity needs over the next four quarters under a stress scenario are often overlooked (MIF007 questions 34 to 38).

- **Wind-down planning:** Unrealistic assumptions on timing and dependencies (especially intra-group). The FCA also expects firms to model wind-down in a stress situation to truly test their resilience.
- **Early warning indicators:** Over-reliance on the regulatory thresholds. The FCA expects clear ownership of actions when triggers are breached. We recommend that firms also have internal buffers to manage their positions before they drop to FCA thresholds.
- **Governance and scaling:** As firms grow, board oversight fails to mature and risk frameworks often lag behind, leaving second-line functions under-resourced and management information thin.
- **Data quality:** Regulatory returns inconsistent with internal capital and risk assessment ("ICARA") content or internal MI.

Practical takeaways for firms

In practice, firms should:

- Review group structures.
- Review LLP agreements for treatment of profits.
- Review K-factor calculations.
- Stress-test liquidity.
- Strengthen wind-down plans through stress testing and operational detail.
- Ensure governance scales with business growth.
- Cross-check MI and regulatory reporting.

Looking ahead

The FCA continues to scrutinise IFPR implementation. It increasingly uses the ICARA as a first point of review. Firms should expect supervisory queries where methodologies appear weak, governance challenge is not evident, or data is inconsistent.

Market Watch 83

[Market Watch 83](#), a recent instalment in the FCA's newsletter on market conduct and transaction reporting issues, reports observations from a series of FCA reviews of corporate finance firms. These reviews focused on their systems and controls for handling inside information about their corporate clients, particularly with regard to market soundings. The publication indicates:

1. There are weaknesses in how Disclosing Market Participants ("DMPs"), ordinarily a broker, select and manage Market Sounding Recipients ("MSRs"), with little regard paid to what may or may not be an appropriate number of MSRs;
2. There is a risk of inside information being leaked when a firm has no gatekeeper arrangements (i.e. a first point of contact for DMPs to approach), or their gatekeeper arrangements aren't properly managed;
3. UK Market Abuse Regulation ("MAR") Technical Standard 2016/960 Article 3(5) requires the DMP to make sure all potential investors sounded receive the same level of information; however, the FCA observed inconsistent sharing of deal-specific information;
4. When multiple brokers are used without the issuer's knowledge, there is a risk that if a broker has not been

appointed directly by the issuer to discuss its offering, that broker's communications may fall outside the inside information safe harbour in UK MAR Article 11(4); and

5. The FCA observed broader control weaknesses in smaller firms, namely informal procedures, lack of compliance independence and weak information barriers. The FCA highlights that good practice would involve having policies and procedures readily available to staff, with sufficient detail to allow a clear understanding of responsibilities and required steps; and for staff to attest to their understanding of the policies. In order to ensure the independence of the compliance function, the FCA likes to see oversight of compliance by the Board, an internal committee, or an external compliance consultant.

Although Market Watch 83 focuses on corporate finance practices, the principles apply to buy-side firms because recipients of potentially inside information have parallel responsibilities when they receive such information - to protect it, not to trade on it, and to ensure internal recipients are wall-crossed and subject to information barriers.

Risks in buy-side firms have been addressed in earlier Market Watch guidance and the FCA expects recipients to



REGULATION (cont.)Presented by  RQC GROUP

have documented processes to handle market soundings. In short, buy-side firms must:

- (a) Treat market sounding information as potentially inside information until properly cleared;
- (b) Record consent/wall crossing decisions and limit internal circulation;

(c) Refuse or escalate soundings where controls are weak; and

(d) Ensure surveillance/reporting can detect suspicious activity after a sounding.



FCA's feedback statement on Artificial Intelligence ("AI") Live Testing and new webpage on its approach to AI

In April 2025, the FCA published an [engagement paper](#) on its proposal for AI Live Testing and on 1 August 2025, a [blog](#): *The use of AI in UK financial markets - from promise to practice*.

[AI Live Testing](#) allows firms to work directly with the regulator, receiving tailored support to develop, assess and deploy AI systems live in UK financial markets. Part of the FCA's [AI Lab](#), the service aims to help firms transition from proof of concept ("PoC") to live market deployment. Along the way, the regulator seeks to understand participants' emerging regulatory challenges and shares with them its AI and regulatory expertise.

Trailed in the [April 2025](#) engagement paper and [published](#) on 9 September 2025, the [feedback statement](#) to the live testing proposal garnered 67 responses from a broad cross-section of firms regulated (15) and unregulated (52), civil society, academia, Big Tech and testing experts. Respondents generally welcomed the FCA's AI Live Testing proposals, recognising a constructive step towards greater transparency, trust and accountability in AI systems. One benefit was overcoming PoC paralysis, where firms reported technically sound AI PoCs' failing to progress due to regulatory uncertainty and skills shortages.

The FCA enrolled the first cohort of testing firms between 9 July and 15 September 2025, and will start working with them in October 2025. Applications for a second cohort will open before the year end, with an evaluation report expected one year later.

Also on 9 September 2025, the FCA launched a new [webpage](#) outlining its approach to safe and responsible AI adoption in UK financial markets.

The regulator's approach is "*principles-based and focused on outcomes*". Allowing firms flexibility to adapt to technological change and market developments, rather than imposing prescriptive rules, it will rely on existing frameworks, believing these mitigate many AI-associated risks:

- [Consumer Duty](#) addresses product and service design meeting the needs of target customers and providing fair value; and communication and support that meets customer need; and
- Accountability and governance: the [Senior Managers and Certification Regime](#) ("SMCR") emphasises senior managers' accountability and is relevant to the safe use of AI.

For full details, the regulator refers back to its [AI update](#), first published in April 2024.

Aspiring to be a "smarter regulator", the FCA uses predictive AI to assist its agents, with a voice bot to triage consumers to the correct regulatory organisation. It is experimenting with large language models to streamline authorisations and supervision processes, but concludes: "*Our people remain integral, using their expertise for judgment, while AI focuses on pulling out facts and analysing unstructured text.*"

Authorisation and registration applications: good practice and areas for improvement

Supplementing its [authorisation](#) information for firms, the FCA published a new [webpage](#) sharing observed examples of good and poor practice.

Staff Skills, Experience, and Capacity

Good Practice:

- Firms conduct their own assessments of “Approved Persons” to ensure suitability.
- Applications include clear ownership structure charts, helping the FCA identify Controllers.
- Firms acknowledge any staffing gaps and provide plans (e.g. recruitment, upskilling) to address them.
- They explain how staff incentives are aligned with good customer outcomes, not just sales targets.

Areas for Improvement:

- Some firms rely too heavily on compliance consultants and lack independent understanding of regulatory duties.
- They fail to explain how individuals with multiple roles will manage their responsibilities.
- Some do not provide evidence that staff are eligible to work in the UK or that the business will be UK-based.

2. Policies, Processes, and Procedures

Good Practice:

- Firms tailor systems and controls to their business size and nature, focusing on customer outcomes.
- They use FCA's [sample business plan](#) to ensure completeness.
- Where operations are overseas, they clarify UK decision-making processes and resource allocation.
- Applications include detailed justifications for each permission sought, referencing FCA guidance.

- [Consumer Duty](#) principles are embedded throughout policies and systems, not treated as a standalone item.

Areas for Improvement:

- Policies are generic and not tailored to the firm's operations, making implementation unclear.
- Some firms merely restate FCA rules without explaining how they will apply them in practice.
- Compliance monitoring often focuses on risks to the firm rather than customer risks.
- IT systems and infrastructure plans are vague or lack timelines.
- Firms overlook how systems will handle real customer scenarios, especially for vulnerable customers.

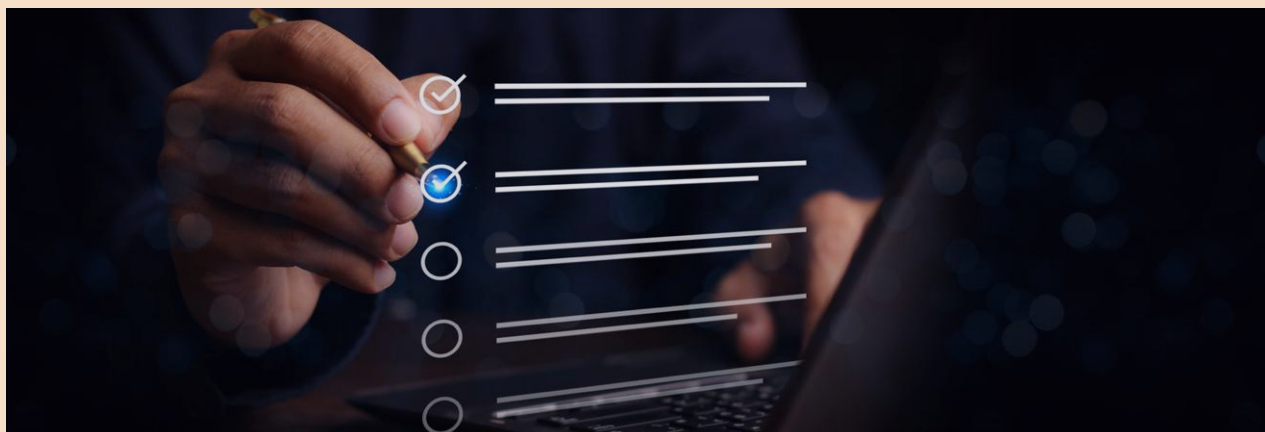
3. Financial Resources

Good Practice:

- Financial forecasts are presented clearly and are easy to understand.
- Supporting notes and assumptions are included to explain financial data.
- Firms provide evidence of funding arrangements, including contingency plans. Smaller firms may use bank statements.

Areas for Improvement:

- Some omit historic financial accounts, delaying the FCA's assessment.
- Inaccurate financial data is submitted, requiring follow-up and clarification.
- Applications lack evidence that firms meet prudential financial requirements. Firms are reminded to consult relevant rules and submit the necessary [financial information](#).



REGULATION (cont.)Presented by  **RQC GROUP****US****SEC and CFTC extend Form PF compliance date to Oct 1, 2026**

The Securities and Exchange Commission ("SEC") and the Commodity Futures Trading Commission ("CFTC") have each voted to [further extend](#) to Oct 1, 2026, the date for investment advisers to comply with amendments to Form PF.

Various Form PF amendments, jointly adopted by both Commissions in February 2024, increased reporting requirements for most private fund advisers. The updates were designed to enhance systemic risk monitoring and investor protection by requiring more detailed and specific information from filers.

The original compliance date was March 12, 2025, subsequently extended to June 12 and finally, to October 1, 2026.

This further extension should allow time to complete a

substantive review of Form PF and take any further actions, which may include proposing new amendments to Form PF.

Form PF is a confidential regulatory reporting form mandated by the SEC for certain private fund advisers, including those managing hedge funds, private equity, and other private investment vehicles. Its primary purpose is to provide the SEC and the Financial Stability Oversight Council with detailed information about private funds' operations and strategies to help monitor systemic financial risk and enhance investor protection, a requirement born from the 2008 financial crisis.

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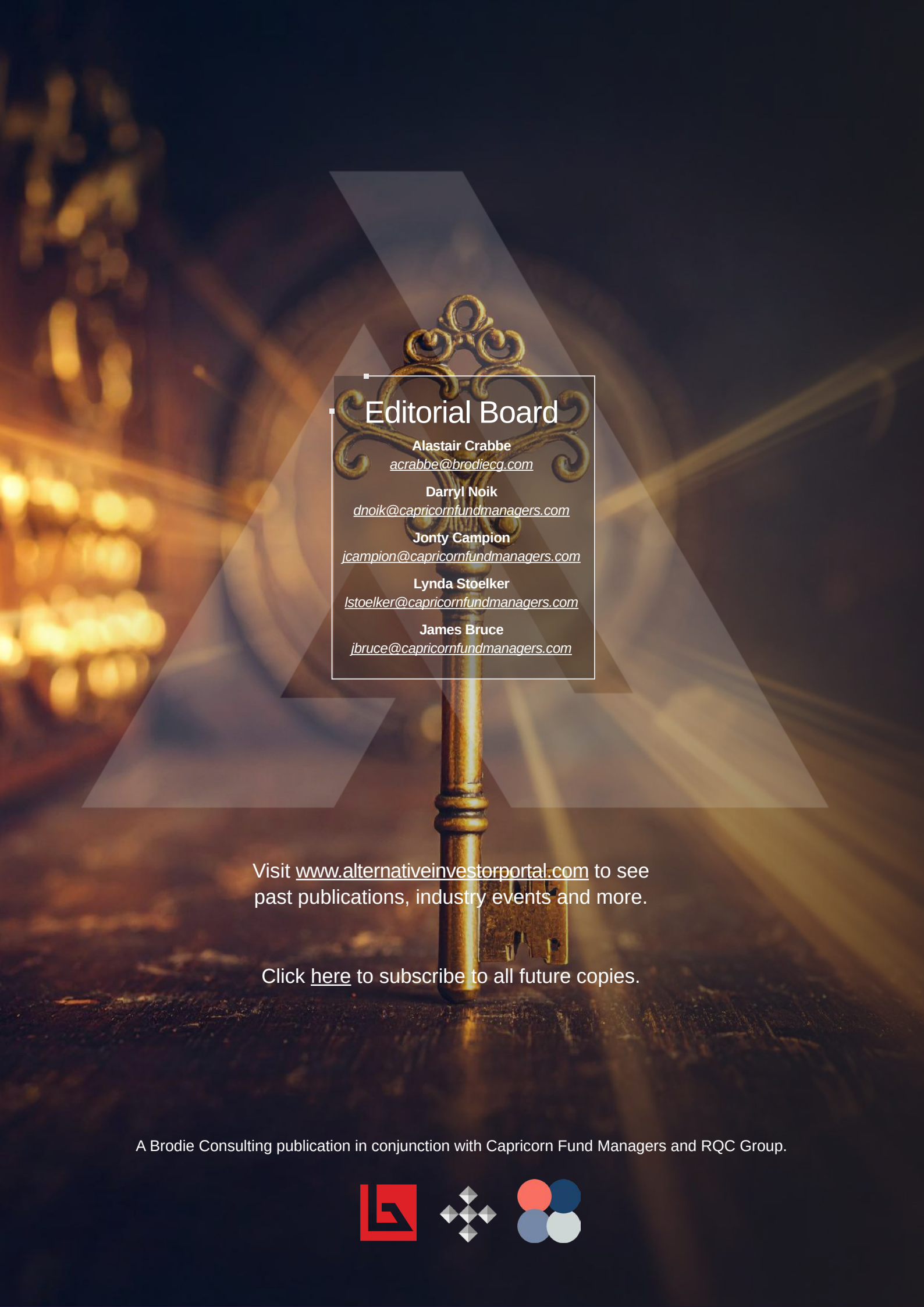
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