Secondaries Investor Advisory Survey 2023: Advisers choosey with mandates in choppy market

The average number of secondaries transactions advised on sat at 24 in a year where overall secondaries market volume was estimated at around $110bn.

Madeleine Farman - 3 May 2023 **Deals**

Advisers in the secondaries market picked their mandates wisely last year as the bid-ask spread widened while buyers with finite capital faced mounting opportunities, according to *Secondaries Investor*'s latest survey of intermediaries.

Three respondents dedicated all their time and resources to GP-led transactions, with one honing in on LP-led transactions for the year, according to the *Secondaries Investor Advisory Survey 2023.*

Of the 10 respondents that advised on GP-led transactions, seven closed on single-asset continuation fund mandates, while four advised on either NAV loan financings or preferred equity transactions, or closed on both types of fund finance.

Flow Advisors' Nicolas Lanel does not anticipate GP-led transactions will reach anywhere near their 2021 peak as long as diversified books of high-quality LP interests continue to flood the market.

"Given the irresistible features of continuation funds to GPs, expect the rate of broken deals to stay high as more of these deals are attempted," Lanel noted.

Advisory reports pegged secondaries transaction volume last year between $100 billion and $110 billion, down from the around $130 billion estimates in 2021. This decrease is reflected in more modest deal volume included in the 11 submissions we received for this year's survey, compared with last year's.

Of the 10 respondents that provided us with a breakdown of their work in 2022, the average number of deals advised on was 24. For GP-led deals specifically, the average time from launch to signing was just shy of four months, with the average time from launch to close taking under seven months.

Deal volume in the survey was defined as purchase price plus unfunded commitments for transactions that closed between January and December, and data was submitted by advisers. NAV from rolling LPs was not included in deal totals.

The majority of transactions London-headquartered Asante Capital Group closed on were GP-led transactions, with NAV loan and preferred equity transactions making up around 20 to 25 percent of the deals it advised on. Buyouts represented 78 percent of the companies or positions involved in Asante-advised deals, with growth and venture businesses making up the remaining 22 percent. The firm did not provide any guidance on deal volume.

Swiss advisory firm AXON Partners AG advised on three closed secondaries transactions worth €307.5 million. Those transactions were concentrated on LP-led deals and buyout exposure, making up 91 percent and 97 percent respectively.

LP-led advisory made up just over half of the value of the secondaries mandates Campbell Lutyens closed on last year – of the $12.2 billion in total value, LP-led transactions represented $6.8 billion. The firm advised on five single-asset continuation fund transactions worth $4.1 billion, which bolstered overall GP-led value that came in at $5.4 billion. When it comes to asset classes, secondaries transactions it advised on spanned private equity, infrastructure and private debt.

Credit Suisse advised on 13 closed GP-led transactions valued at just over $6 billion. Seven of those transactions were single-asset deals, making up just over half of the value the investment bank advised on at just shy of $3.3 billion. It also advised on one $150 million preferred equity transaction. The vast majority of transactions advised spanned mid- and small-sized buyouts with just 7.7 percent exposures in both venture capital and infrastructure, respectively.

Boutique GP-led-focused firm Devon Park Advisors, the advisory firm founded by secondaries market veteran Jonathan Costello, closed on four GP-led transactions last year worth a combined $2 billion. One single-asset transaction bolstered its transaction value, worth just over $1 billion. Private equity assets made up 56 percent of the asset class split it transacted on, with infrastructure making up 31 percent, and the remaining 13 percent advised on within real estate.

Tail end-focused boutique adviser Elm Capital worked on seven closed LP-led transactions worth a combined $500 million, the bulk of which were private equity positions with the remaining 10 percent in private debt stakes. LP transactions took place last year despite a significant increase in discounts, the firm said in its submission, adding: “The portfolios we sold were mostly tail-end portfolios where selling LPs had already made their return and were less sensitive to discounts.”

Evercore's transaction value was dominated by GP-led secondaries activity over the period. Of the $38.1 billion of secondaries activity the investment bank advised on, GP-led transaction value made up $27 billion. GP-led transactions by number, however, made up the minority, with the private capital advisory team advising on 28 GP-led deals out of a total on 70 secondaries transactions across the period. Of those transactions, 18 were single-asset continuation funds worth $15.7 billion.

Flow Advisors closed on three GP-led secondaries transactions worth €1.7 billion, with the advisory business founded in 2018 by former Evercore managing director Lanel advising on two single-asset transactions representing 65 percent of aggregate value transacted. Buyouts accounted for around 75 percent of exposure with the remaining in growth.

Jefferies took on 44 mandates, which closed worth $20.1 billion, the majority of which were LP-led transactions (65 percent). On the GP-led side, the investment bank closed on six single-asset continuation fund deals worth a combined $3.4 billion and one preferred equity transaction worth $55 million. Jefferies advised on the most diverse spectrum of asset classes across the year, with transactions spanning buyout, venture and growth, credit and distressed, real estate, fund of funds and secondaries, and infrastructure and natural resources.

GP-led transactions made up the bulk of the secondaries transactions closed which PJT Park Hill advised on (70 percent). The New York-headquartered adviser worked on 34 deals worth $29.3 billion spanning buyout, real estate, real assets and infrastructure, credit, and venture capital and growth. Seven of those transactions closed were single-asset continuation fund deals worth $9.5 billion as well as six preferred equity deals worth $1.5 billion.

Tradition Private Markets advised on 39 secondaries transactions worth $830 million. LP transactions made up $760 million of NAV and GP-leds made up $53 million of NAV with exposure spanning infrastructure, real estate and private equity. The adviser was surprised at how quickly the bid-ask spread developed between buyers and sellers.

"What we expect in 2023 is that buyer confidence is going to return which will result in an increase in deal activity," Tradition said in its submission, adding it believes direct lending and infrastructure fund pricing will remain strong, while venture capital and growth will have a slower recovery.

Firms including Greenhill, Lazard and UBS either declined to participate or did not return requests for comment.

Find previous years' surveys here: 2022 / 2021/ 2020 / 2019 / 2018 / 2017 / 2016 / 2015