

# Secondaries Managers Predict Surge in Activity over 2017

## Concerns over pricing and increased competition fail to deter optimism within the secondaries market

Private capital secondaries fund managers saw an increase in dealmaking activity through 2016, and predict that this momentum will continue through the year ahead. The majority of firms surveyed by Preqin\* indicated that the value of their secondaries transactions through the year was higher than in 2015, despite some estimates suggesting that overall deal values had declined. Looking ahead, the majority of secondaries fund managers believe that 2017 will build on 2016's successes, and that total transaction values will increase further. If this trend is borne out, 2017 may come to be a landmark year for the private capital secondaries industry.

**For more information and analysis, see the full [Secondaries Fund Manager Outlook here:](https://www.preqin.com/docs/reports/Preqin-Special-Report-Secondary-Fund-Manager-Outlook-H1-2017.pdf)**

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### Other Key Secondaries Fund Manager Facts:

- The majority (55%) of secondary fund managers reported that **the total value of their transactions in 2016 was higher than in 2015**. Eighteen percent said that 2016 marked a decline.
- **Activity was focused on small and mid-market buyout fund stakes**, with 59% and 76% respectively of fund managers saying they had made purchases of this type in 2016.
- **Fund managers also most commonly bought stakes in 2007 and 2008 vintage funds**: 63% and 54% respectively reported acquiring stakes in them through 2016.
- By some margin, **family offices were the most frequent sellers of secondary stakes**, with 69% of managers reporting buying from them in 2016.
- The **reasons most frequently cited to fund managers as the motivation for selling** were portfolio management and liquidity, reported by 74% and 69% of respondents respectively.
- Looking to 2017, **60% of firms said that they thought their total transaction values would increase** from 2016 levels. Just 3% predicted that they would decrease.
- Seventy-three percent of managers think that **the secondary market will see more than \$30bn in transactions through 2017**: 14% think it will reach \$45bn or higher.

### Patrick Adefuye, Head of Secondaries Products:

"2016 was an active year for the private capital secondaries market, with the majority of fund managers reporting that more capital was put to work than in the previous calendar year. This defies some estimates that suggested that secondaries transactions might have declined from 2015. Fund managers will be looking to build on this growth in the year ahead, and the majority are already predicting that they will commit more capital into secondaries opportunities in 2017.

However, what also emerges from this survey is the increasingly complicated nature of the secondaries market. A glut of funds that closed at the time of the Global Financial Crisis are now nearing the end of their lifespans, increasing the chances of managers and investors looking for secondary market solutions. At the same time, the increased prominence of the market as a tool for portfolio management and liquidity have brought in many large players, which may put upwards pressure on the stakes that managers compete for."

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*\*This report is based on surveys of 40 secondaries fund managers conducted by Preqin in January 2017*

*Preqin is the leading source of information for the alternative assets industry, providing insight and analysis gathered by its global teams of dedicated researchers. Founded in 2003, the company is a frequent source of intelligence used in the global financial press, through its online databases, regular publications and bespoke data requests.*

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