

# Talking. Secondaries.

**Demystifying the secondaries market**  
**Part 1: What's in your structuring toolkit?**



# The secondary market can be used in multiple ways depending on the strategic objectives and motivations of the GP, the LP(s) and the secondary buyer(s).

In this series we will seek to demystify the secondaries and synthetic secondaries markets and provide insights into the variety of tools available to GPs when looking to provide liquidity to their limited partners and their portfolios.

The need for liquidity is being driven by a number of factors in the current market. Exits have slowed across the private markets in recent months meaning that distributions from natural liquidity have decreased. In addition, a tough fundraising environment has meant that GPs have come back to market quicker than ever, often without having returned as much cash to LPs than has historically been the case. Furthermore, public market valuations have decreased far more than private market valuations meaning LPs feel over-allocated to private markets (the 'denominator effect'). These factors make LPs increasingly likely to look to access liquidity through the secondaries market.



## Structuring toolkit

Over the next few weeks we will be looking at the following products and how they can provide fund liquidity:

- Single fund interest/ portfolio sale & tender offer
- Annex fund and 'top-up' capital
- Continuation fund
- Preferred equity
- NAV backed leverage

## Seller motivations

- Trigger early liquidity and lock in returns
- Ability to pivot investment strategy due to regulatory or commercial changes
- Active portfolio management of fund interests and commercial partnerships with GPs

## Buyer motivations

- Access new funds/GP relationships
- Achieve better visibility on underlying asset base and minimise blind pool risk
- Immediate exposure to a highly diversified private equity portfolio
- Smooth cash flow profile if mature funds with shorter hold periods
- Mitigate the J-Curve effect (subject to stage of the fund life)

## GP motivations

- Proactively manage investor base
- Optimise portfolio capitalisation
- Extend portfolio duration
- Realign interests
- Portfolio risk management

# Our secondaries platform

Travers Smith has extensive experience in complex private markets transactions, with a focus on liquidity solutions across the private markets capital structure with exposure across all asset classes.

## 70+

We advise over 70 GPs across our firm.

## £92bn

In transaction value during the last c.five years.

## \$4tn+

Assets managed by our clients in the private capital sector.

## 150+

Specialists focused on private equity, financial sponsor and M&A transactions. 30 of these dedicated specialists are partners in the business.

## \$5bn+

In 2022 we advised on the deployment of \$5.1bn+ in commitments across more than 100 primary, co-investment and fund-of-one transactions.

## 400+

M&A transactions acted on since 2016.



**Emily Clark**  
Head of Asset Management



**Phil Bartram**  
Partner



**Victoria Bramall**  
Partner



**Jeremy Elmore**  
Partner



**Katie McMenamin**  
Partner



**Will Normand**  
Partner



**Aaron Stocks**  
Partner



**James Ravden**  
Senior Associate

**Legal Fund Formation  
Team of the Year**  
The Drawdown Awards  
2020, 2021 & 2022



**IFLR 1000**  
Financial Services regulatory:  
Non-contentious  
Tier 1

**IFLR**

**Private Equity Team of  
the Year**  
Legal Business Awards 2022

