



OMNIGENCE ASSET MANAGEMENT

# The Benefits of Investing in Secondaries: Derisk Alternative Returns

JUNE 2025

## ABSTRACT:

Private equity secondaries have emerged as an important sub-sector within private markets, offering investors opportunities to acquire fund interests mid-life or late in their investment cycle. Secondaries deliver accelerated returns, discounted entry points, reduced blind-pool risk, portfolio diversification, and market timing advantages.

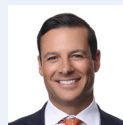
## INTRODUCTION:

Private equity has long been characterized by extended lock-ups and illiquidity, traditionally making it accessible only to investors with high risk tolerance and long time horizons. However, the secondary market for private equity fund interests—wherein existing LPs sell their stakes to new investors—has transformed this landscape. While secondary investing was once niche, it reached \$162 billion in global volume in 2024, making it one of the fastest-growing segments of the private markets.



**Stephen Johnston**  
Director – Omnigence

sjohnston@omnigenceam.com



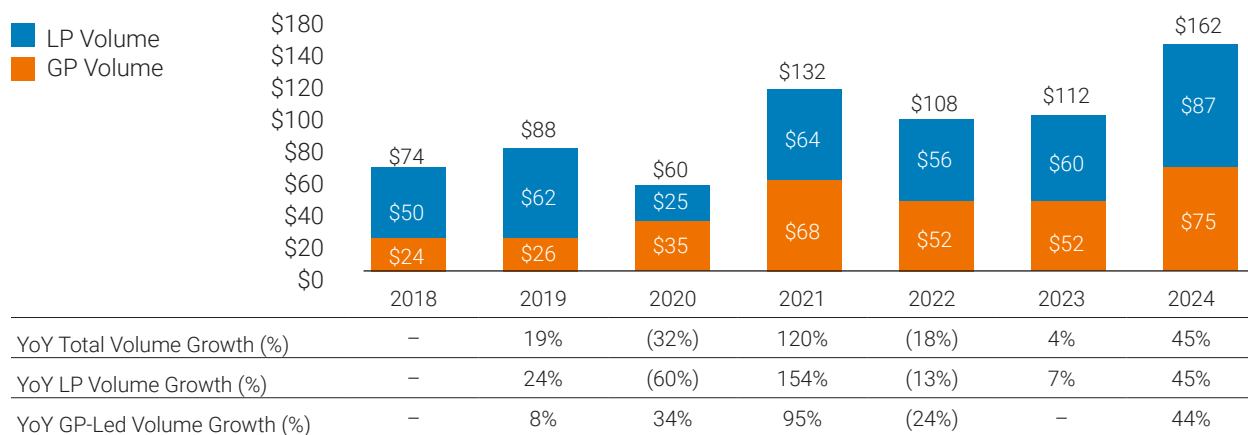
**Matt Barr**  
Director – Omnigence

mbarr@omnigenceam.com



**Keenan Viney**  
Data Scientist

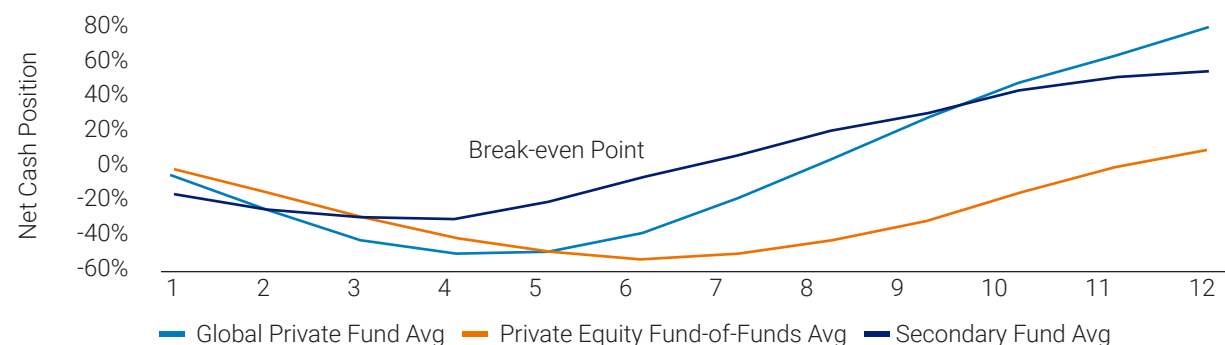
kviney@omnigenceam.com



Source: Jefferies

## ACCELERATED RETURN PROFILES AND J-CURVE MITIGATION:

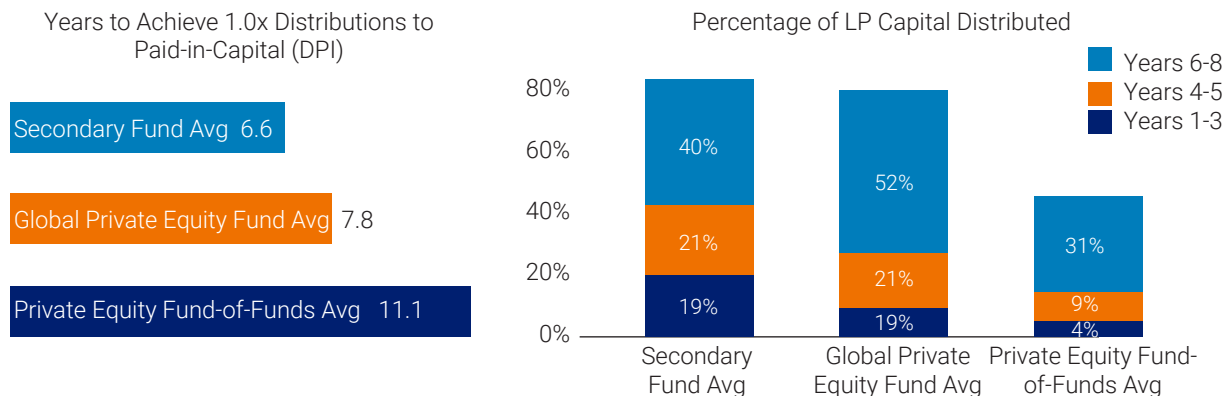
A major appeal of secondaries is the accelerated cash flow profile relative to primary fund commitments. Primary private equity funds typically suffer from a “J-curve”—early years of negative returns due to fees and slow capital deployment.



Source: Cambridge Associates

In contrast, secondaries involve acquiring seasoned assets, often with capital already deployed and distributions imminent. The result:

- **Faster DPI realization:** According to Cambridge Associates, secondary funds achieve a 1.0x distribution-to-paid-in (DPI) ratio within ~7 years—compared to 10–12 years for primaries (Cambridge Associates, 2023).

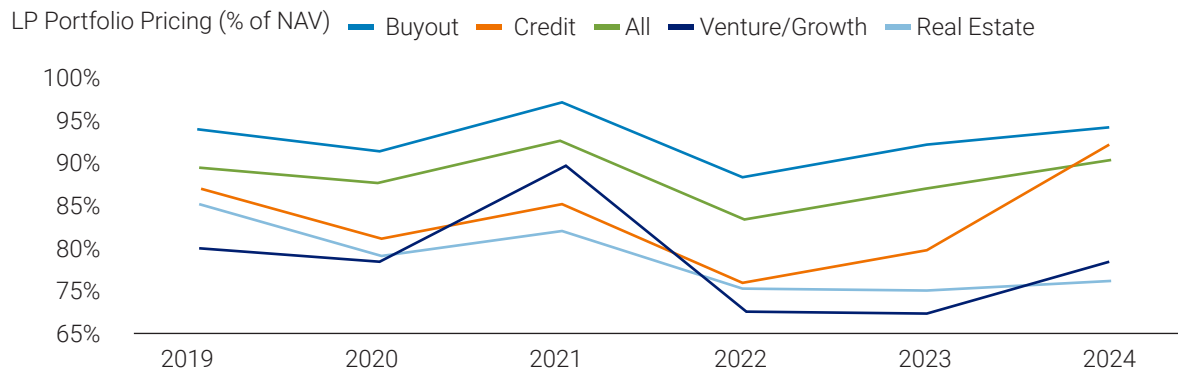


Source: Cambridge Associates

- **Early exit potential:** Buyers often recover significant capital within 2–4 years of investment, making secondaries suitable for investors seeking quicker liquidity within a private asset framework.

### DISCOUNTED ENTRY AND ENHANCED IRR POTENTIAL:

Secondary market dynamics frequently allow buyers to acquire fund interests at material discounts to Net Asset Value (NAV), especially during volatile or distressed periods. Secondary discounts act as a margin of safety and can significantly enhance internal rate of return (IRR) as distributions commence, and NAVs normalize or increase. In 2024, average LP-led secondaries traded in a range of 72% to 94% of NAV, translating into an immediate paper gain of up to ~40%.



Source: Jefferies

### INFORMATION ASYMMETRY RISK AND PORTFOLIO TRANSPARENCY:

Unlike primary fund investments, secondaries are not blind pools. This gives secondaries an analytical edge, reducing the risk of investor information asymmetry. LP buyers typically receive comprehensive reporting on the underlying portfolio companies—financials, valuations, sector exposure, and GP performance. Transparency:

- Reduces underwriting risk, enabling more accurate pricing and better selection.
- Helps buyers curate exposure to specific industries, geographies, or vintages, optimizing risk-return characteristics.

## DIVERSIFICATION AND TIMING:

Secondaries offer efficient access to broadly diversified portfolios, often across dozens of underlying companies, vintage years, and sectors. Rather than committing capital over years, LP buyers in secondaries can build exposure more quickly via mature, cash-flowing assets.

- This diversification improves portfolio resilience.
- Investors may also gain exposure to top-tier GPs or oversubscribed funds they couldn't otherwise access in the primary market.

## TACTICAL ALLOCATION:

Secondaries allow investors to deploy capital opportunistically, particularly during dislocations or when LPs are forced to sell. For example:

- University endowments like Harvard and Yale were among those selling billions in PE interests to rebalance in 2024, offering high-quality assets at discounts.
- Buyers with dry powder in these moments can capitalize on liquidity gaps, much like distressed debt investors.
- In an environment where GPs are extending fund lifespans and delaying exits, secondaries also offer more predictable cash flow profiles, an increasingly valuable feature for allocators seeking duration control.

## CONCLUSION:

For LP investors, private equity secondaries offer a unique blend of advantages:

- Faster returns
- Discounted entry points
- Superior transparency
- Strategic diversification
- Tactical deployment flexibility

These factors contribute to more efficient and resilient portfolio construction in the private markets. As institutional and retail access to secondaries expands, the role of this market segment will likely continue to grow—solidifying its place as a core component of the modern private equity landscape.

## REFERENCES:

1. Cambridge Associates (2023). *When Secondaries Should Come First*.
2. BlackRock (2024). *Private Markets Secondaries Insight*.
3. Moonfare (2024). *What Is the Private Equity Secondary Market?*
4. Hamilton Lane (2024). *Secondaries: An Overview*.
5. Barron's (2024). *Yale and Harvard Shift Private Equity Strategy*.
6. Business Insider (2025). *Inside the Booming Secondaries Market*.
7. FT (2024). *Retail Investors and the Rise of Secondaries*.
8. Jefferies (2025). *Global Secondary Market Review*.

## FY 2024 Key Statistics

\$75B	FY 2024 GP-Led Transaction Volume
~84%	Continuation Vehicles (% Share of GP-Led Volume)
~54%	Single-Asset Continuation Vehicles (% Share of Continuation Vehicle Volume)
~75%	Buyout Strategy (% Share of GP-Led Volume)
~30%	Single-Asset Transactions with Parallel Cross-Fund Investments
~13%	Continuation Vehicle Exits (% of Sponsor-Backed Exit Volume)
2018	Average Vintage for Company Acquired by Single-Asset Continuation Vehicle



**Toronto Office:**

TD Canada Trust Tower, 161 Bay St.  
27th Floor, P.O. Box 508  
Toronto, ON, M5J 2S1

**Calgary Office:**

Suite 300, 4954 Richard Road SW  
Calgary, AB, T3E 6L1

[www.omnigenceam.com](http://www.omnigenceam.com)

## **DISCLAIMER**

Our reports, including this paper, express our opinions which have been based, in part, upon generally available public information and research as well as upon inferences and deductions made through our due diligence, research and analytical process. The information contained in this paper includes information from, or data derived from, public third-party sources including industry publications, reports and research papers. Although this third-party information and data is believed to be reliable, neither Omnigence Asset Management nor its agents (collectively "Omnigence") have independently verified the accuracy, currency or completeness of any of the information and data contained in this paper which is derived from such third party sources and, therefore, there is no assurance or guarantee as to the accuracy or completeness of such included information and data. Omnigence and its agents hereby disclaim any liability whatsoever in respect of any third-party information or data, and the results derived from our utilization of that data in our analysis. While we have a good-faith belief in the accuracy of what we write, all such information is presented "as is," without warranty of any kind, whether express or implied. The use made of the information and conclusions set forth in this paper is solely at the risk of the user of this information. This paper is intended only as general information presented for the convenience of the reader and should not in any way be construed as investment or other advice whatsoever. Omnigence is not registered as an investment dealer or advisor in any jurisdiction and this report does not represent investment advice of any kind. The reader should seek the advice of relevant professionals (including a registered investment professional) before making any investment decisions. The opinions and views expressed in this paper are subject to change or modification without notice, and Omnigence does not undertake to update or supplement this or any other of its reports or papers as a result of a change in opinion stated herein or otherwise.