

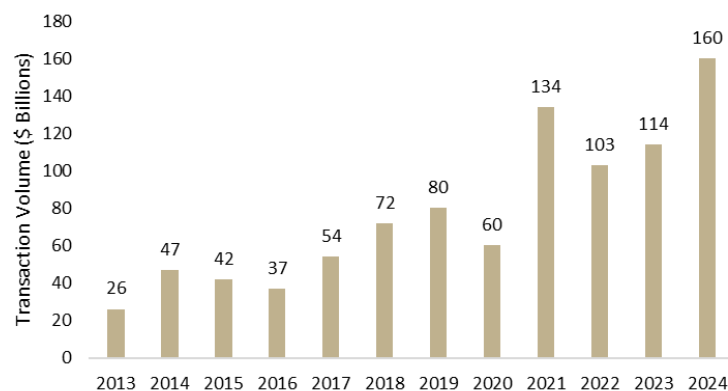
## Secondaries Grow, But Remain Small

The typical term of a private asset investment drawdown fund is ten years, meaning the fund manager should exit all deals return capital to investors by the tenth year. However, many funds are nearing the end of their term in an environment with limited exit opportunities—M&A has slowed down in recent years, and IPOs have become nearly nonexistent. As a result, funds are hanging on to their deals for longer. Fund investors who want liquidity sooner rather than later must turn to the secondaries market to sell their positions. The secondaries market is not a public exchange, but rather the private dealings of investors buying and selling illiquid fund holdings before a traditional exit.

Historically, secondary transactions were rare, occurring only in special situations. They have become much more common today as investors look for alternative ways to exit their illiquid holdings. In fact, secondary transaction volume has increased more than sixfold since 2013. This amounts to an 18% compounded annual growth rate.<sup>1</sup> The influx of interest in the secondaries market has created a new investment opportunity to acquire fund positions at a discount to their NAV and possibly realize additional value when those funds exit.

That being said, the secondaries market remains relatively small today. As of 2024, secondary transaction volume represented only 1.4% of the total value in private asset funds.<sup>2</sup> While that number is expected to grow, most fund investors will see their positions through to exit.

Secondary Transaction Volume<sup>1</sup>



1. Evercore Private Capital Advisory, "FY 2024 Secondary Market Review"

2. Blackstone, "Secondaries Surge"

### Economy

#### Last Week

##### - Leading Economic Indicators (Apr.):

-1.0% (MoM) vs. -0.7% one month prior

##### - S&P U.S. Flash PMIs (May):

Manufacturing 52.3; Services 52.3

##### - Existing Home Sales (Apr.):

-0.5% MoM vs. -5.9% one month prior

##### - New Home Sales & Building Permits (Apr.):

Sales +10.9% MoM; Permits -4.0% MoM

#### This Week

##### - Conf. Board Consumer Confidence (May): 5/27

##### - Pending Home Sales (Apr.): 5/29

##### - Personal Income & Spending (Apr.): 5/30

##### - PCE Price Index (Apr.): 5/30

### Equities

#### Returns (%)

Index	Level	1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
S&P 500	5803	-2.58	3.61	-0.82	11.62	14.04	15.92
Russell 1000 Growth	3931	-2.71	8.27	-2.53	14.53	19.46	17.84
Russell 1000 Value	1830	-2.52	-0.96	1.15	8.27	7.78	12.80
FTSE High Dividend Yield*	455	-2.44	-1.43	0.30	9.65	7.57	13.15
S&P Small and Mid Cap	16313	-3.73	1.31	-5.78	1.14	5.61	11.64
MSCI EAFE	2606	1.44	9.78	17.52	14.15	12.23	12.37
MSCI EM	1170	0.35	6.82	10.01	11.24	7.11	7.76

#### Characteristics

Index	NTM P/E	NTM P/E (20Y med)	Div Yield	S&P Sector Returns YTD							
S&P 500	19.7	15.3	1.4	10	Utilities	Industrials	Staples	Financials	Materials	Comm. Serv.	Real Estate
Russell 1000 Growth	24.9	17.8	0.7	5							
Russell 1000 Value	15.5	13.5	2.3	0							
FTSE High Dividend Yield*	12.3	13.0	4.1	-5							
S&P Small and Mid Cap	13.6	15.5	2.0	-10							
MSCI EAFE	14.4	13.4	3.1								
MSCI EM	11.5	11.1	2.8								

\* Bloomberg U.S. Large Cap Dividend Yield Total Return Index used as substitute for index characteristics.

### Fixed Income

#### Returns (%)

Index	Yield	1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
U.S. Aggregate	4.82	-0.43	-1.19	1.56	4.58	1.03	-1.03
U.S. Int. Gov/Credit	4.39	0.00	0.07	2.50	6.08	2.55	0.48
U.S. Corporates	5.35	-0.54	-1.14	1.14	4.55	2.20	0.03
High Yield	7.69	-0.47	0.91	1.93	8.50	6.51	5.73
Municipals (1-10)	3.53	0.03	-0.13	0.57	3.19	2.14	0.82

#### Levels (%)

Key Rates	Last	1 Wk Ago	Last Qtr	Prev YE	1 Yr Ago	3 Yrs Ago	5 Yrs Ago
2-yr Treasury	3.99	3.97	3.89	4.24	4.98	2.48	0.18
10-yr Treasury	4.51	4.49	4.21	4.57	4.55	2.74	0.68
30-yr Treasury	5.04	4.97	4.57	4.78	4.67	2.97	1.44
SOFR	4.26	4.27	4.41	4.49	5.32	0.78	0.06
6-mo. CD rate	4.36	4.43	4.25	4.33	5.42	2.12	0.45
Prime Rate	7.50	7.50	7.50	7.50	8.50	4.00	3.25
30-yr fixed mortgage	6.91	6.91	6.77	7.28	7.35	5.24	3.57