Investment Banking

No ‘Pencils Down’ in Secondaries, Despite Tariff Shocks

The secondary market has not been immune to recent trade-related uncertainty. But participants continue to tap the benefits secondaries offer as evidenced by high-profile moves to sell billions from private equity portfolios and the GP-led market’s continued momentum through the first quarter of 2025.

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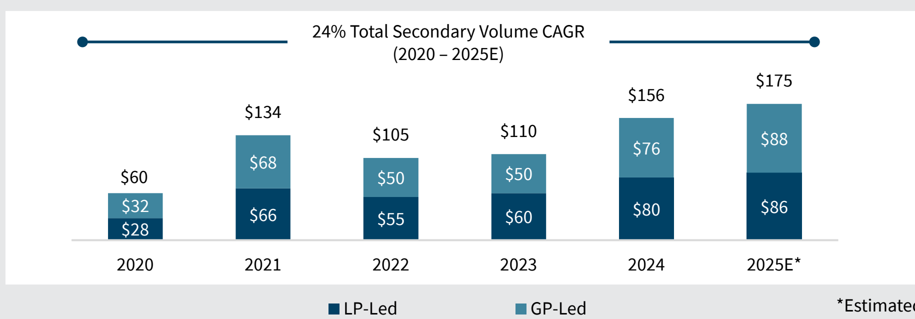
The secondary market has demonstrated strong recent growth, including a record $156 billion in transaction volume last year, up approximately 40% from 2023. The momentum carried into 2025 with many investors continuing to seek liquidity in the secondary market—to the extent that in the year’s early months, industry participants projected $175 billion in volume, with especially strong GP-led activity.[1]

Global Secondary Market Volume ($ in Billions)[2]



While “Liberation Day” initially seemed likely to put at risk the market’s projections for 2025 transaction volumes, most investors who William Blair has recently spoken with mixed hints of caution with overall confidence. One noted that no investor is going to be “out of market,” and another said they “won’t be going pencils down,” as many secondary investors view this as an attractive buying opportunity after raising significant capital over the last 18 months. It’s possible that some of the caution in April was simply wishful thinking, as investors hoped tariff pressures might lower market pricing.

The overall resiliency of the secondary market is evidenced by one of the biggest stories this spring—Yale University’s efforts to sell certain parts of its private equity interests, in aggregate, valued at up to $6 billion.[3] Indeed, Yale’s decision—thus far—to forge ahead with its transaction is likely a signal that it believes in the secondary market’s depth and pricing resiliency, possibly mixed with some urgency related to the political climate.

In the GP-led secondary market, we’ve seen investment themes similar to the early months of COVID-19, as GP-led investors are seeking concentrated investment opportunities (e.g., single-asset continuation vehicles) in sectors less likely to be

1. Source: 2025 William Blair Secondary Market Survey.
2. Source: Ibid. Numbers may not foot due to rounding.
3. Source: Secondaries Investor, “Yale sells up to $6bn of its PE portfolio amid federal funding challenge,” April 17, 2025.

impacted by ongoing macroeconomic uncertainty. Market participants expect such demand to help drive GP-led volumes higher over the balance of the year.

The following report discusses the state of both LP-led and GP-led secondaries and looks ahead to the rest of 2025.

LP-Leds Still 'Open for Business'

LP-leds saw a record $80 billion in volume in 2024 with the best pricing conditions since early 2022. In 2025's early months, sellers were turning opportunistic as part of active portfolio management. Average transaction sizes were growing and secondary sales were consistently delivering strong outcomes for sellers.

Understanding Secondary Market Pricing[4]

While not immune from recent macro pressures, average secondary pricing remains healthy as of late spring, and we judge the market to be characterized by sellers hovering between moderately and slightly motivated. Each move to the right on the chart below represents an increase of approximately 300 basis points.

LP-Leds 'Still Open for Business'

In other words, the market's recent track record of compelling transaction outcomes brought more and more sellers to the table while recent growth in '40 Act Funds spurred buy-side demand for large, diversified portfolio opportunities. Uncertainty about what exactly would happen with U.S. trade policy hung over the market, but investors were quick to point to the money they had raised that needed to be put to work.

That last point remains constant, but in the weeks since Liberation Day, investors have noted that they are now pricing in tariff-related risk, though the 90-day pause on the reciprocal tariffs that Trump announced on April 9 lessened the impact. To account for the changing environment, one investor said that they were offering larger deferred considerations, while another said that expectations for improved liquidity had to be pushed out by one or two quarters.

Not surprisingly, the current macro dynamics and their effects on pricing have made sellers less motivated. When we last shared our assessment in February, we were on the verge of a market characterized by rampant opportunistic selling activity. Today, we would say the market is characterized by sellers on the verge of being slightly motivated, as shown in the chart above.

Continuation Fund Demand Remains Strong for GP-Leds

Last year also saw record performance from GP-leds and investors have continued to tap the continuation fund market for liquidity. Given the new, elevated trade uncertainty, concentrated continuation funds should be in high demand, as risks related to tariffs and a potential slowdown in GDP growth are easier to understand when diligencing a single company, as compared to a more diversified offering.

That point is especially relevant in an environment in which GP valuations from December 31, 2024—and even from March 31, 2025—could be questioned, given the early-April timing of Liberation Day and the resulting volatility in public market valuations. Several prominent investors told us recently that they are focused on continuation fund opportunities where they can best quantify risk and tariff exposure. Several others also forecast that, similar to early COVID days, single asset continuation funds are going to be in high demand over the near term.

In recent weeks, some transaction processes have been pulled for businesses that are materially affected by tariff-related fallout, but there does not seem to have been a slowdown of launches among continuation funds. Liquidity and

4. Source: William Blair Estimates. For illustrative purposes only

deployment pressure remain real for LPs and secondary investors, respectively, propelling transaction activity forward.

Groups that may be more risk-off are retreating to well-known, defensive secondary investment principles. These include investing alongside their existing roster of managers and both increasing return thresholds and investing in sectors least exposed to tariffs and where they feel they have significant expertise.

Looking Ahead

Speaking with investors provides some clues as to what could happen next, but at this point it is still difficult to say whether LP portfolio sales or continuation fund transactions will see more robust activity over the balance of the year. Trump's initial tariff announcement (and ensuing revisions) remains fresh in investors' minds, so a lot of dust has yet to settle.

What we can say is that the market remains open for high-quality opportunities after investors raised a great deal of money over the past 18 months, a differentiator compared with the slowdown in early 2022, when a great deal of dry powder had been used in the frenzied activity of 2020 and 2021. That's a good sign for 2025, assuming we do not see a deterioration in GDP growth and the global macroeconomic environment.

For the broader secondary market, the best-case scenario is a continued rebound, which ultimately could lead to significant volumes in the second half of this year. All that said, we continue to be bullish for an active 2025 due to the market's momentum over the past few years and its proven ability to offer investors attractive liquidity opportunities amid a slower market for M&A and IPO transactions.

Looking Ahead