

## KEYNOTE INTERVIEW

# Mid-market magic



*Information inefficiencies within the mid-market offer an abundance of opportunities for those with a differentiated platform, says **Shane Feeney**, global head of secondaries at Northleaf Capital Partners*

**Q How has the secondaries market responded to public market turbulence in 2025? What have been the key drivers of dealflow within this environment?**

The secondaries market is extremely vibrant right now. We saw record trading volumes in the first half of 2025, up 40 percent year on year, according to some industry reports. Looking at the current pipeline, we are very optimistic about the second half – it certainly seems as though secondaries dealflow volume is poised to break through the \$200 billion threshold this year.

In terms of what is driving that dealflow, I would say we are sitting at the intersection of three distinct trends. First, private equity as an asset class has continued to grow, and the underlying

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unrealised value that has been created in the industry has increased materially over the past five years. Second, institutional investors are increasingly turning to the secondaries market in order to proactively manage their portfolios. Finally, the industry has experienced a subdued exit environment over the past couple of years, which has driven a hunger for liquidity – something the secondaries market is ideally placed to deliver.

The first two trends are long term and secular, while the third is a little more cyclical. We expect exit activity will pick up – indeed, it is already picking up – but there is a major backlog

of realisations that need to take place and surplus net asset value that needs to be worked through. In our view, that is going to take quite some time.

This is likely a medium-term issue – it is not something that is going to be solved in a single quarter, or even six months. I would say it is going to take one to two years before the industry gets back into balance from the perspective of NAV, liquidity and internal allocations to private equity.

**Q The secondaries market appears to be defying what has otherwise been a challenging fundraising environment. Why do you think that is the case?**

I would never say that fundraising is easy for any asset class, but it certainly

helps that investors are now more educated about the advantages that secondaries can offer. Today, investors understand the potential for attractive risk/return and liquidity features that come with allocating to secondaries managers.

In contrast to 10 years ago, investors today generally have a much better appreciation for the role that secondaries funds play in both the wider private markets ecosystem and their own private markets portfolios. An education around what was previously seen as a relatively niche strategy is often no longer required.

Part of this awareness is an understanding that secondaries can be an all-weather strategy, as well as providing additional opportunities during periods of market dislocation. This is supporting strong secondaries demand despite a weaker fundraising environment for alternative assets generally.

### **Q Where are you seeing the most compelling opportunities in the secondaries market today, and what constitutes a good deal from your perspective?**

We are witnessing a wide spread of opportunities at the moment: we are seeing strong selling activity out of North America as well as Europe, and we are seeing strong dealflow in both LP-leds and GP-leds – in continuation vehicles, in particular. That is all reflected in the numbers. Geographies, sectors and deal types generally seem to be moving up and to the right.

We focus on the mid-market at Northleaf, so a good deal for us means ensuring we are looking at a high-quality mid-market GP that we know well, together with high-quality underlying portfolio companies. After that, we consider what our information angle is on a deal – why we are best positioned to pursue this specific transaction. That tends to come down to how well we are going to be able to leverage our mid-market platform to

competitively and efficiently price the transaction. That is particularly relevant on LP-led deals, which typically move much more quickly.

### **Q Many of the original mid-market secondaries funds have significantly increased in size over the years. Have they been able to maintain their mid-market focus as they have scaled?**

I can't comment on our competitors, but we have not strayed from our mid-market focus at all. We have taken a prudent approach to sizing our funds over time, growing them in line with mid-market transaction volume. We believe the mid-market offers an abundance of opportunities and that the segment is deep enough to support our continued growth.

At the moment, the mid-market is fragmented, which makes it structurally inefficient and difficult to cover from a secondaries perspective. It is hard to have information angles when you are dealing with such a wide range of GPs, all of which have a relatively small LP base. These funds also don't tend to trade as frequently, so it is more challenging to have ready-made, off-the-shelf pricing models. In short, this inefficiency favours those that have deep expertise and relationships, as well as a genuine mid-market focus.

### **Q The PE market is now in its fourth year of relatively slow exit activity. How have mid-market secondaries buyers been positioned through this period, and how have they been creating liquidity?**

A big theme in terms of creating liquidity has been the continued growth of the continuation vehicle market. The CV is largely a mid-market phenomenon.

GP-led secondaries remain a relatively undercapitalised segment of the market, which means it has been difficult for large- and mega-cap funds to tap it in a programmatic way. Instead,

these deals tend to focus on companies that have compounded EBITDA over four to six years, meaning they have become relatively large assets but are still held by mid-market firms. These continuation vehicles have offered an alternative exit route to mid-market sponsors holding attractive assets where they are looking to compound returns over a longer period of time.

### **Q Do you see these GP-led secondaries deals as a cyclical phenomenon?**

I think the GP-led segment of the secondaries market is here to stay – we do not see this as a temporary phenomenon that is being driven only by the liquidity issues that have been experienced over the past few years. Yes, that has helped fuel their growth and popularity, but fundamentally, continuation vehicles allow sponsors to retain control of high-quality assets where they feel there is more potential for value creation.

I would imagine every sponsor is able to look back and identify at least one or two companies in every fund that they have sold – very often to a competitor – with regret. They will have watched as that asset went on to do very well in a new buyer's hands. They now recognise that, with the advent of continuation vehicles, that is no longer a choice they will be forced to make. For that reason alone, we believe mid-market continuation vehicles have a bright and enduring future.

From a demand perspective, we believe these deals will continue to play an important role in secondaries funds. We view GP-led deals as highly complementary to traditional LP-led secondaries; while LP-led deals may provide diversification and attractive cashflow, GP-led transactions offer access to strong assets that can further enhance returns. It is important to be even more selective on the GP-led side of the market and transact on deals with the highest-quality assets and aligned sponsors. ■