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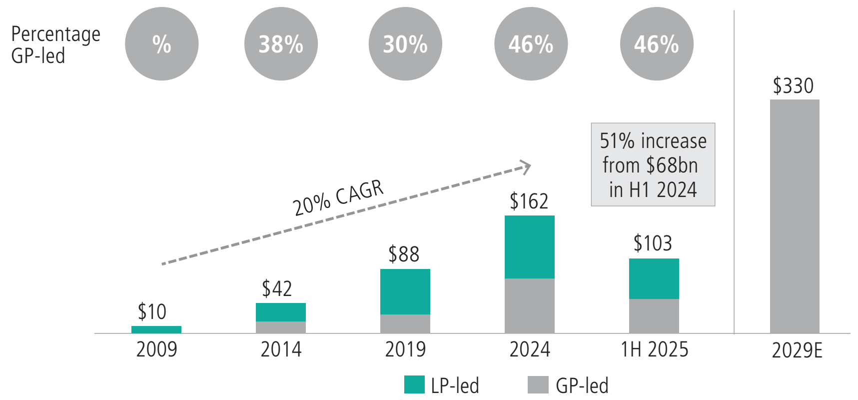
Family Office Insights: Secondaries

Family offices currently face several challenges in their private market portfolios, such as limited DPI, the need to bridge NAV gaps and the requirement to embed diversifcation across vintages, geographies and sectors. Increasingly, family offices are turning to secondaries as a strategic solution to these issues.

Total Secondary Transaction Volume by Year ($bn)[1]



Source: Jefferies PCA, "Secondary Market Update," March 2025. Certain information contained herein has been obtained from third parties. While such information is believed to be reliable, such information may be based on assumptions that later prove to be invalid or incorrect and is not provided with a view to providing investment advice with respect to any security, or making any claim as to the past, current or future performance thereof. Historical market trends are not necessarily reliable indicators of actual future market behavior or future performance and there can be no assurance such trends will continue.

[1] 2029 estimate represents base case scenario as prepared by Jefferies in the "Secondary Market Update" as of March 2025. The results of future estimates are hypothetical and have many inherent limitations.

What Are Secondary Investments?

Secondaries are investments made by purchasing existing stakes in private equity funds or portfolios from other investors rather than committing capital to new (primary) funds.

GP-Led: Transactions initiated by the GP to restructure a fund or extend the holding period of assets, often through a continuation vehicle. The GP manages the process, and LPs can choose to sell or reinvest.

LP-Led: Transactions initiated by LPs seeking to sell their fund interests to other investors for liquidity or portfolio management. These are typically straightforward transfers of ownership.

Why Are Family Offices Using Secondaries?

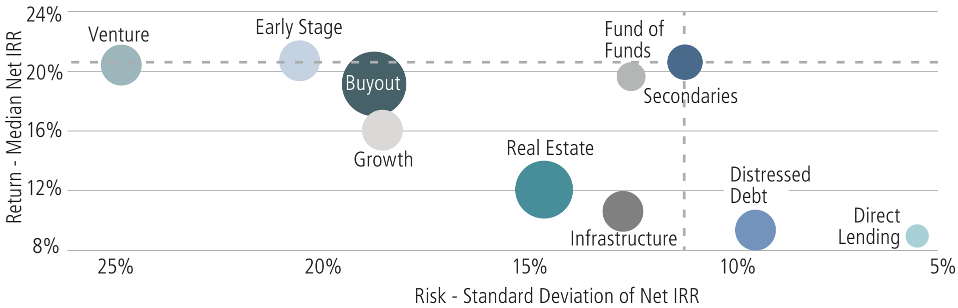
Key Benefits	Top Use Cases We Observe
Predictable Cash Flows and Shorter J-Curve Faster, more regular distributions to meet liquidity needs	Provides cashflow efficiency, given the shallower J-curve and accelerated DPI profile of LP- and GP-led secondary investments
Capital Preservation Lower risk profile suits wealth protection goals	Lower-risk private equity exposure, given portfolio transparency and historically lower loss ratio than traditional primary buyout investments
Transparency Better insight into assets being acquired; reduced blind pool risk	Access to high-quality, cash-generative assets that are already significantly derisked, given the opportunity to generate buyout-like returns with a secondary-like risk profile
Diverification and Risk Mitigation Diversified across managers, geographies, vintages and industries	Achieve backward-looking vintage diversification, allowing family offices to build a mature, balanced PE program without waiting through multiple primary fundraising cycles
Market Growth and Opportunity Secondary Market volume has doubled over the past decade	The rapidly expanding market allows investors to capitalize on market inefficiencies and dislocations, by acquiring LP interests from allocators who need liquidity, or providing liquidity to GPs through continuation vehicles are under pressure to return capital to thier investors

Three Key Charts

1 Attractive Returns, With a Reduced Risk Profile

Attractive Risk Attributes vs. Buyout
- Short duration
- Lower valuations
- Reduced leverage
- Reduced execution risk
- Comparable cash-on-cash MOIC

Private Equity Risk/Return by Strategy – Vintage 2013 – 2022[1]



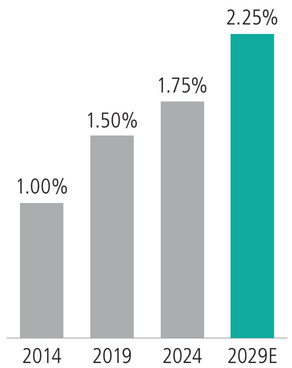
Secondary investments demonstrate a favourable risk and return profile against other private equity strategies and have evolved from a tactical investment to a core holding.

[1] Source: Preqin. October 2023. **Past performance is not an indicator, guarantee or projection of future performance.** Statements made herein may represent opinions and beliefs of NBAA as of the date hereof only and are subject to change. Statements herein with respect to risk attributes should not imply that an investment is low risk, or without risk, as overall market conditions could have an impact on the ability to avoid capital loss. Bubble size is representative of industry asset size. There is no guarantee that any particular fund will be able to achieve comparable returns.

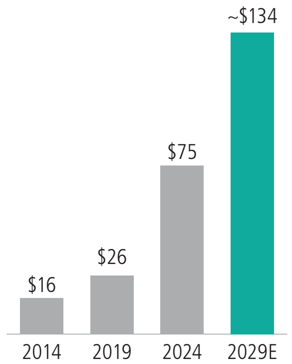
2 Multiple Catalysts for Continued Secondary Market Growth

Private Markets NAV ($bn)

Percent of Turnover



GP-Led Volume ($bn)[2]

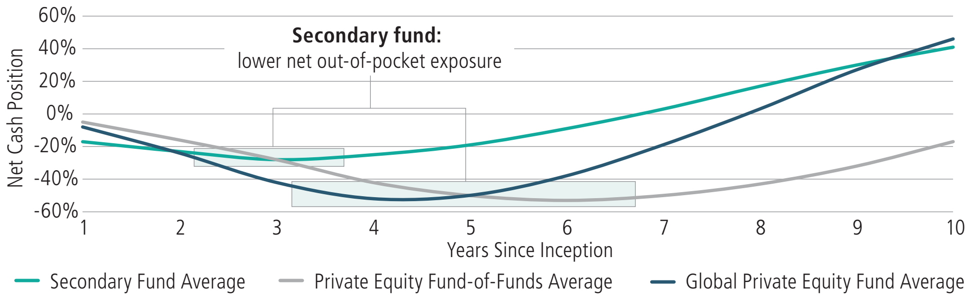


A significant increase in the value of the private markets, turnover rate and GP-led deal volume is projected over the next five years, which will support long-term market expansion.

[2] Source: Jefferies PCA, "Secondary Market Update," March 2025, PJT Private Capital Solutions "FY 2024 Secondary Market Update". Data is as of February 2025. Historical market trends are not necessarily reliable indicators of actual future market behavior or future performance and there can be no assurance such trends will continue.

3 Attractive Cash Flow Efficiency, With Low Net Out-of-Pocket Exposure[3]

Cumulative Net Cash Flows



Secondary funds exhibit greater cashflow efficiency, as investors may receive accelerated distributions while facing lower net out-of-pocket exposure.

[3] Source: Cambridge Assoicates.

Risk Considerations Relating to Private Equity Strategies

Prospective investors should be aware that an investment in any private equity strategy is speculative and involves a high degree of risk that is suitable only for those investors who have the financial sophistication and expertise to evaluate the merits and risks of such investment and for which the investment does not represent a complete investment program. An investment should only be considered by persons who can afford a loss of their entire investment. This material is not intended to replace any the materials that would be provided in connection with an investor's consideration to invest in an actual private equity strategy, which would only be done pursuant to the terms of a confidential private placement memorandum and other related material. Prospective investors are urged to consult with their own tax and legal advisors about the implications of investing in a private equity strategy, including the risks and fees of such an investment.

You should consider the risks inherent with investing in private equity strategies:

Market Conditions: Private equity strategies are based, in part, upon the premise that investments will be available for purchase by at prices considered favorable. To the extent that current market conditions change or change more quickly anticipated investment opportunities may cease to be available. There can be no assurance or guarantee that investment objectives will be achieved, that the past, targeted or estimated results be achieved or that investors will receive any return on their investments. Performance may be volatile. An investment should only be considered by persons who can afford a loss of their entire investment.

Legal, Tax and Regulatory Risks: Legal, tax and regulatory changes (including changing enforcement priorities, changing interpretations of legal and regulatory precedents or varying applications of laws and regulations to particular facts and circumstances) could occur that may adversely affect a private equity strategy.

Default or Excuse: If an Investor defaults on or is excused from its obligation to contribute capital to a private equity strategy, other Investors may be required to make additional contributions to replace such shortfall. In addition, an Investor may experience significant economic consequences should it fail to make required capital contributions.

Leverage: Investments in underlying portfolio companies whose capital structures may have significant leverage. These companies may be subject to restrictive financial and operating covenants. The leverage may impair these companies' ability to finance their future operations and capital needs. The leveraged capital structure of such investments will increase the exposure of the portfolio companies to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the condition of the portfolio company or its industry.

Highly Competitive Market for Investment Opportunities: The activity of identifying, completing and realizing attractive investments is highly competitive, and involves a high degree of uncertainty. There can be no assurance or guarantee that a private equity strategy will be able to locate, consummate and exit investments that satisfy rate of return objectives or realize upon their values or that it will be able to invest fully its committed capital.

Reliance on Key Management Personnel: The success of a private equity strategy may depend, in large part, upon the skill and expertise of investment professionals that manage the strategy.

Limited Liquidity: There is no organized secondary market for investors in most private equity strategies, and none is expected to develop. There are typically also restrictions on withdrawal and transfer of interests.

Epidemics, Pandemics, Outbreaks of Disease and Public Health Issues: Neuberger Berman's business activities as well as the activities of any private equity strategy and its operations and investments could be materially adversely affected by outbreaks of disease, epidemics and public health issues in Asia, Europe, North America, the Middle East and/or globally, such as COVID-19 (and other novel coronaviruses), Ebola, H1N1 flu, H7N9 flu, H5N1 flu, Severe Acute Respiratory Syndrome, or SARS, or other epidemics, pandemics, outbreaks of disease or public health issues. In particular, coronavirus, or COVID-19, has spread rapidly around the world since its initial emergence in December 2019 and has negatively affected (and may continue to negative affect or materially impact) the global economy, global equity markets and supply chains (including as a result of quarantines and other government-directed or mandated measures or actions to stop the spread of outbreaks). Although the long-term effects of coronavirus, or COVID-19 (and the actions and measures taken by governments around the world to halt the spread of such virus), cannot be predicted, previous occurrences of other epidemics, pandemics and outbreaks of disease, such as H5N1, H1N1 and the Spanish flu, had material adverse effects on the economies, equity markets and operations of those countries and jurisdictions in which they were most prevalent. A recurrence of an outbreak of any kind of epidemic, communicable disease, virus or major public health issue could cause a slowdown in the levels of economic activity generally (or push the world or local economies into recession), which would be reasonably likely to adversely affect the business, financial condition and operations of Neuberger Berman. Should these or other major public health issues, including pandemics, arise or spread farther (or continue to worsen), Neuberger Berman could be adversely affected by more stringent travel restrictions (such as mandatory quarantines and social distancing), additional limitations on Neuberger Berman's operations and business activities and governmental actions limiting the movement of people and goods between regions and other activities or operations.

Geopolitical Risk: Neuberger Berman's business activities, as well as the activities of any private equity strategy and its operations and investments, could be adversely affected by global geopolitical issues. In particular, conflicts between two or more nations and the varying involvement of the United States and other NATO countries could preclude prediction as to their ultimate adverse impact on global economic and market conditions, and, as a result, present material uncertainty and risk with respect to any investment strategy, the performance of its investments or operations, and the ability of any private equity strategy to achieve its investment objectives. Intra-country conflicts can cause a negative impact on and significant disruptions to the economy within that country as well as to business activities globally and therefore could also adversely affect the performance of investments. Additional governmental actions (sanctions-related, military or otherwise) may cause additional disruption and constrain or alter existing financial, legal and regulatory frameworks and systems in ways that could be adverse to the investment strategy that any private equity strategy intends to pursue, all of which could adversely affect any private equity strategy's ability to fulfill its investment objectives. Additionally, to the extent that third parties, investors, or related customer bases have material operations or assets in any of the impacted countries, they may have adverse consequences related to the ongoing conflict.

Valuation Risk: Due to the illiquid nature of many strategy investments, any approximation of their value will be based on a good-faith determination as to the fair value of those investments. There can be no assurance that these values will equal or approximate the price at which such investments may be sold or otherwise liquidated or disposed of.

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In addition to these risk considerations, there are specific risks that may apply to a particular private equity strategy. Any investment decision with respect to an investment in a private equity strategy should be made based upon the information contained in the confidential private placement memorandum of that strategy.

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