

Setter

Volume Report FY 2024

24th Edition

First in the secondary market.

Highlights

The Setter Volume Report analyzes global secondary market activity in FY 2024 and covers the following topics:

- › Total Volume of Secondary Deals
- › Breakdown of Volume between Funds and Directs
- › Breakdown of Volume by Type of Assets Purchased
- › Breakdown of Volume by Geography of Assets Purchased
- › Maturity of Funds Purchased
- › Profile of Buyers
- › Number of Deals and Average Deal Size
- › Payment Terms
- › Execution Risk
- › Buyers' Scope of Interest
- › Buyers' Target Returns
- › Profile of Sellers
- › Percentage of Intermediated Deals
- › Predicted Secondary Deal Volume
- › Change in Level of Buyer Competition
- › Changes in Debt Levels
- › Pricing
- › Expected Hiring
- › Expected Returns of Secondary Purchases
- › Expected Distribution and NAV Changes
- › General Partners' Approach to the Secondary Market

The survey

As the secondary market continues to grow and evolve, we seek to take a comprehensive and methodical approach to quantifying the market and identifying trends. Using a survey approach, we directly asked principals the same questions that buyers, sellers and secondary fund LPs often ask us. How many transactions were completed in FY 2024? How much was completed in LBO, venture, real estate, infrastructure, credit, energy, real asset and hedge fund secondaries? How many GP-led transactions were completed? What are the expected returns and buyer debt levels?

This report summarizes the results of our 34-question survey of the most active global buyers in the secondary market for alternative investments, conducted at the end of December 2024. Volume is defined as total exposure (NAV + unfunded in USD) purchased by the respondents, including only deals where a binding agreement was entered into during FY 2024. Please note that all values throughout the report are denoted in USD.

We were pleased by the high response rate, as 100 of the 145 most active and regular buyers in the secondary market agreed to share their confidential results (see partial list of participants on page 26). The respondents to our survey represented 87.0% of the total market volume, making it the most reliable, consistent and exhaustive study of the industry's activities.

Being mindful of response bias, we compared the list of respondents to those who had declined to respond and did not find any obvious or meaningful differences in the known and observed levels of activity between the two groups. We then estimated and charted the total volume, number of transactions, and other reported figures herein by prorating the survey results based on the proportion of small, medium and large buyers that participated.

We hope you find the results interesting and useful. We welcome any questions and would be happy to provide further insights into the results.

More Insight.

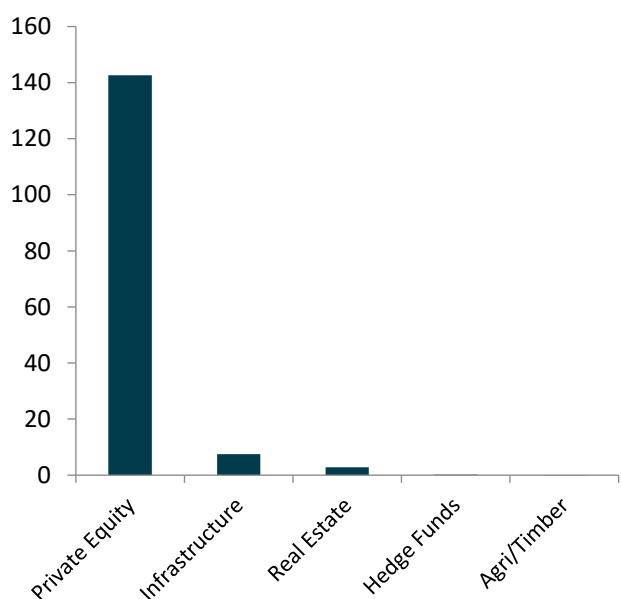
In the secondary market, knowledge is power. By providing granular custom portfolio analysis and industry-leading market research, we empower our clients to make the most informed decisions.

Setter

Total volume

Total secondary market volume for FY 2024 was \$153.31 billion. This is the volume estimate derived from the 145 secondary buyers surveyed with dedicated secondary efforts and includes 117 secondary funds, 16 funds of funds, 5 hedge funds, 5 investment consultants, 1 family office and 1 pension. We believe this estimate is reliable as the 100 survey respondents alone reported \$133.39 billion of volume in their survey responses. The figure is also conservative, as **it does not include the activity of over 1000 opportunistic and non-traditional buyers**, whose combined activity may be significant. For instance, the activities of all sovereign funds (including ADIA, ADIC, GIC, Temasek, etc.) were excluded entirely, even though some have built teams dedicated to secondary purchases.

Types of assets purchased



Private Equity (Directs¹ & Funds): \$142.64 billion (46.4% increase YoY)

Infrastructure Funds: \$7.53 billion (16.3% increase YoY)

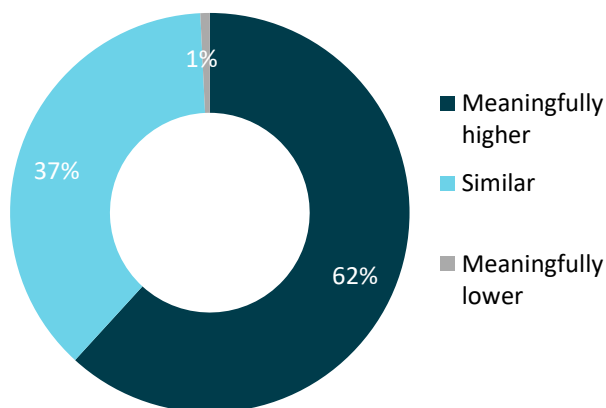
Real Estate (Directs & Funds): \$2.80 billion (28.0% increase YoY)

Hedge Funds: \$200 million (66.7% increase YoY)

Agriculture/Timber Funds: \$130 million (34.0% increase YoY)

¹ Directs include GP-led deals such as fund recapitalizations, continuation funds and fund liquidations.

FY 2024 volume vs. FY 2023 volume

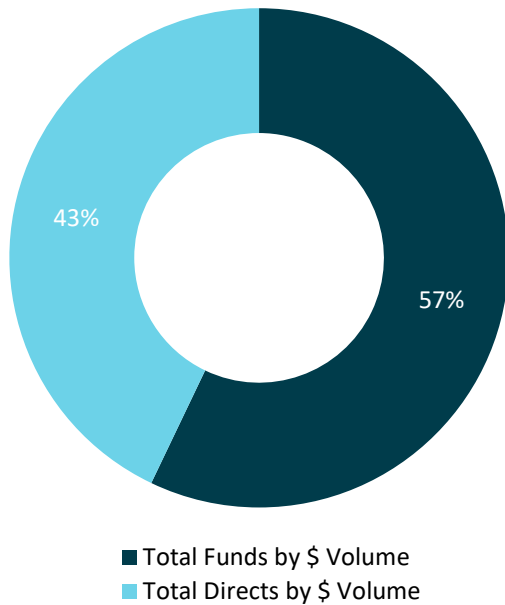


FY 2024 volume increased 44.2% compared to FY 2023, which was \$106.33 billion.

Only 0.8% of survey respondents felt their volume was lower in FY 2024, 37.5% felt their volume was similar and 61.8% of the respondents reported that their volume was meaningfully higher than FY 2023.

Assets purchased

Funds vs. Directs

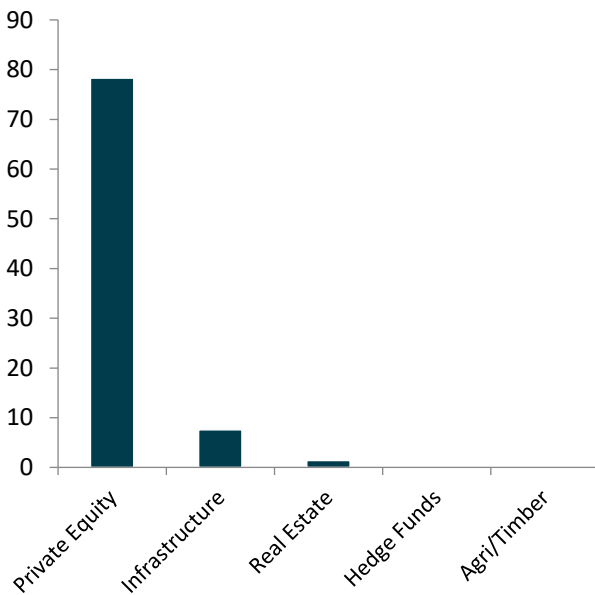


Fund secondaries increased 39.2%, from the \$62.89 billion recorded in FY 2023 to \$87.55 billion in FY 2024. Direct secondaries, jumped 51.4% from \$43.44 billion in FY 2023 to \$65.76 billion in FY 2024.

As a proportion of total volume, direct secondaries went from 40.9% in FY 2023 to 42.9% in FY 2024.

Survey respondents estimated the split between fund and direct secondaries in three years will be 50.8% funds and 49.2% directs.

Breakdown of fund secondaries



Private equity fund purchases totaled \$78.3 billion (43.0% increase YoY)

Infrastructure fund purchases totaled \$7.53 billion (16.3% increase YoY)

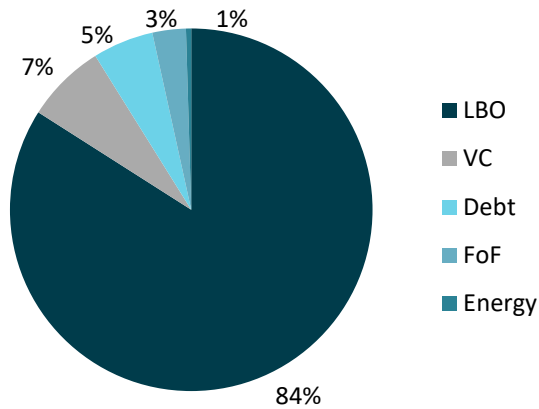
Real estate fund purchases totaled \$1.37 billion (3.0% decrease YoY)

Hedge fund purchases totaled \$200 million (66.7% increase YoY)

Agriculture/Timber fund purchases totaled \$130 million (34.0% increase YoY)

Types of funds purchased

Private equity funds



LBO – \$65.80 billion
(Up 47.4% YoY from \$44.63 billion)

VC – \$5.56 billion
(Up 15.3% YoY from \$4.82 billion)

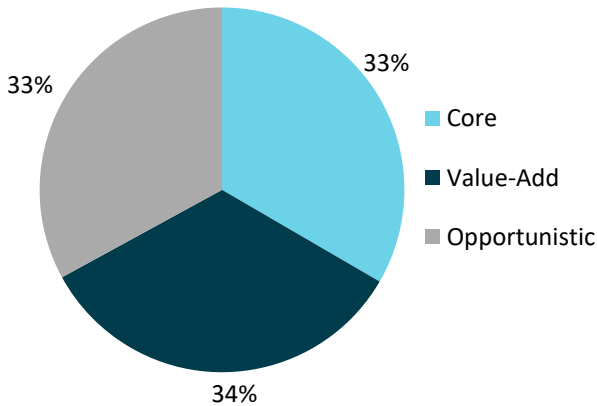
Debt – \$4.25 billion
(Up 21.6% YoY from \$3.49 billion)

Fund of Funds² – \$2.34 billion
(Up 40.0% YoY from \$1.67 billion)

Energy – \$364 million
(Up 124.6% YoY from \$162 million)

² Includes total for both Fund of Funds and Secondary Funds

Real estate funds



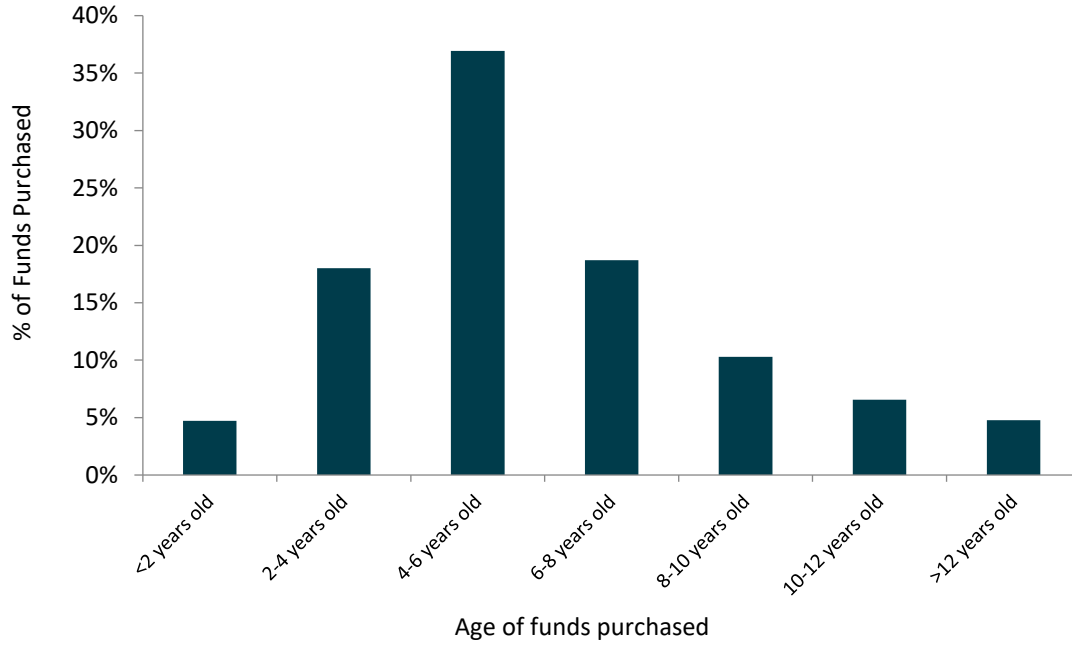
Core – \$460 million
(Up 20.6% YoY from \$380 million)

Value-Add – \$460 million
(Up 1.9% YoY from \$450 million)

Opportunistic – \$450 million
(Down 23.3% YoY from \$580 million)

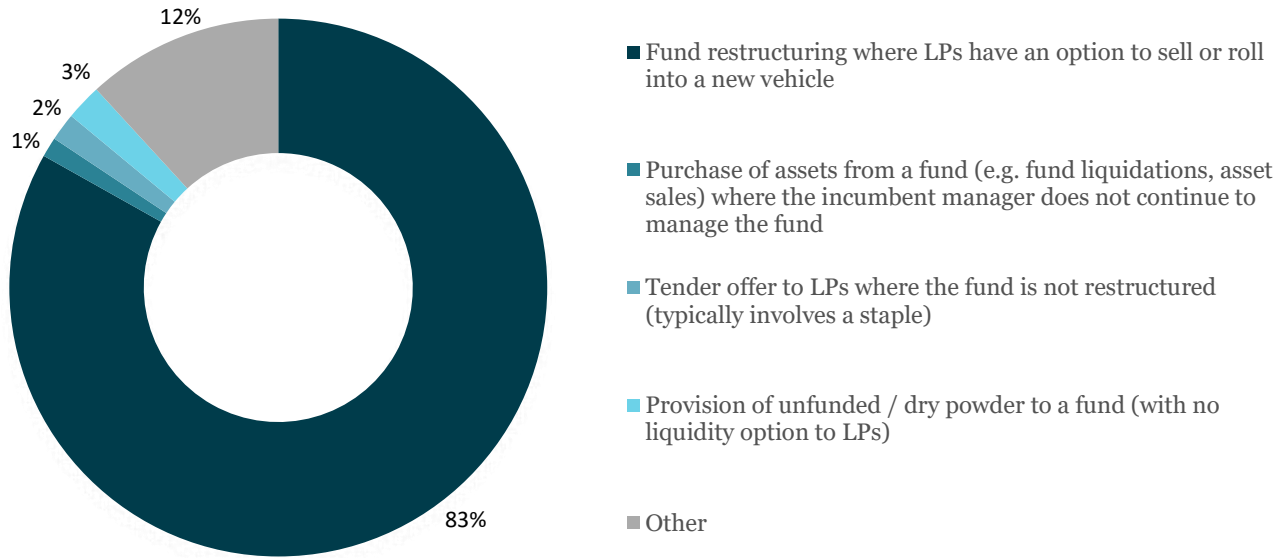
Maturity of funds purchased

As illustrated below, buyers bought funds across various vintages, whether as a portfolio or on a single line basis. The average fund purchased was 6 years old which is more mature than the average in FY 2023 (5.30 years old).

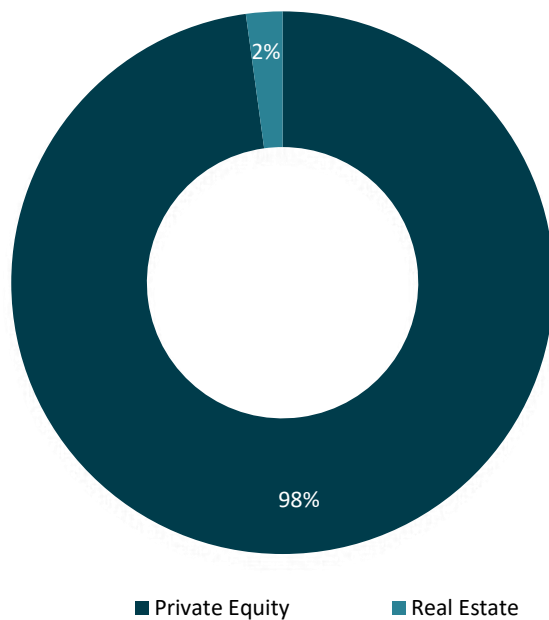


Types of direct secondaries

Types of direct deals completed by buyers

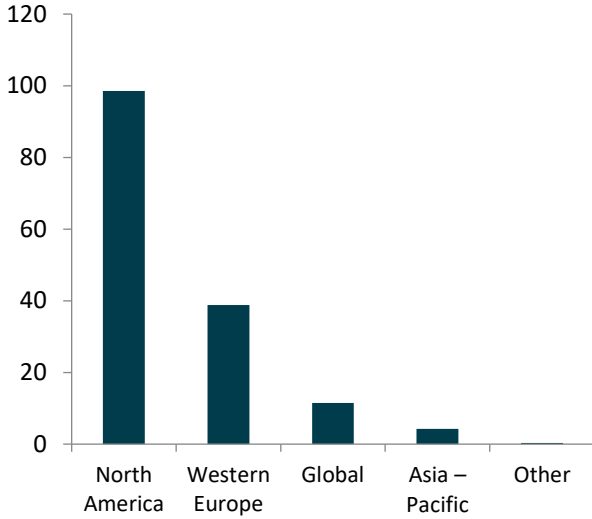


Private equity directs vs. real estate directs



Private equity directs and real estate directs accounted for 97.8% (\$64.34 billion) and 2.2%, respectively, (\$1.43 billion) of the total directs volume.

Geography of assets purchased



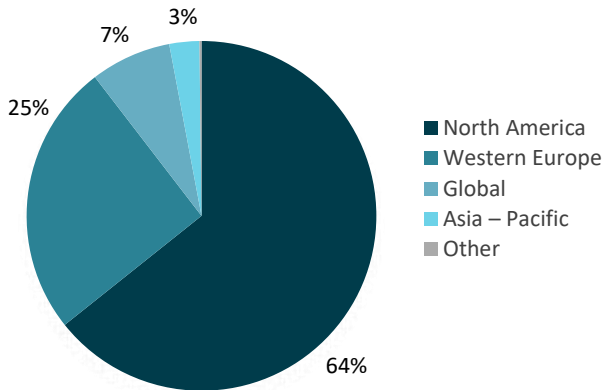
North American and Western European focused funds/directs accounted for the vast majority of assets purchased in FY 2024:

North America – \$98.56 billion
(Up 51.5% YoY from \$65.07 billion)

Western Europe - \$38.77 billion
(Up 38.1% YoY from \$28.08 billion)

Global – \$11.45 billion
(Up 21.8% YoY from \$9.40 billion)

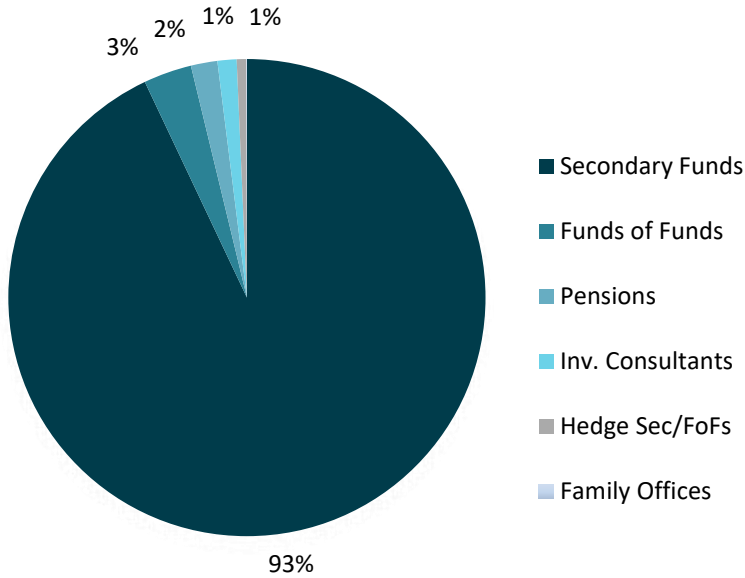
Asia-Pacific – \$4.25 billion
(Up 28.5% YoY from \$3.31 billion)



In terms of percentage, North American-focused funds and directs accounted for 64.3% of total volume, Western European-focused assets accounted for 25.3%, global-focused assets accounted for 7.5% and Asia-Pacific-focused assets accounted for 2.8% of sales.

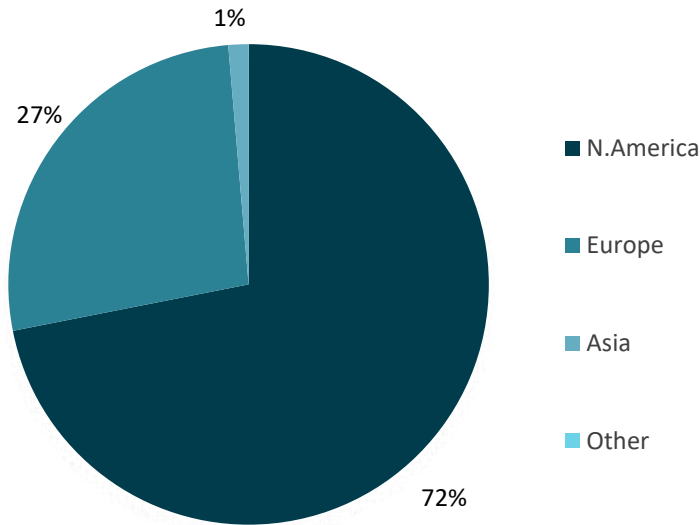
Profiles of buyers

Type of buyers



Secondary funds were again the most active buyers in FY 2024, accounting for 93.0% (\$142.53 billion) of total purchases while funds of funds accounted for 3.3% (\$5.0 billion).

Location of buyers³



North American buyers transacted the most (71.9% of total volume) in FY 2024, slightly down as a percentage from 72.2% total volume in FY 2023.

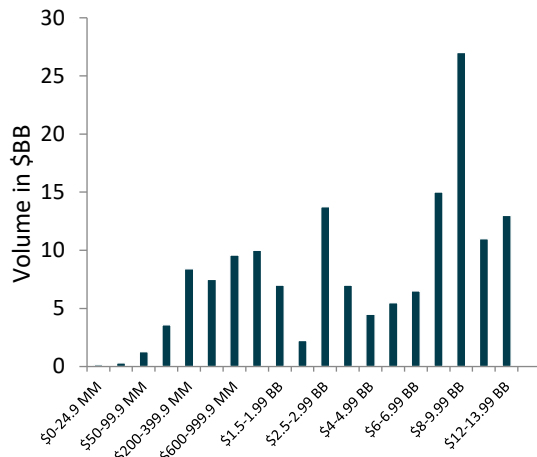
European buyers accounted for 26.7% of total volume in FY 2024, which was marginally up from FY 2023 (26.6%).

³Location is based on head office location.

Activity levels of small, medium and large buyers

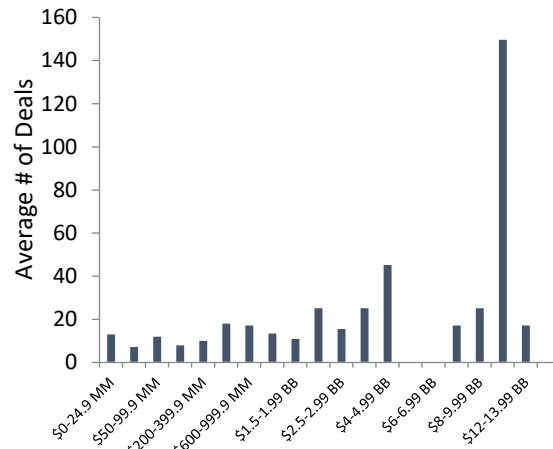
Applying the survey respondents' dollar volume and transaction numbers, while taking into consideration the proportion of small, medium and large buyers that did not participate, we estimated the market share of small, medium and large buyers as follows:

Volume distribution by size of buyer



Size of Buyer (by volume transacted during period)

Avg. number of deals by size of buyer



Size of Buyer (by volume transacted during period)

30 large buyers (defined as those that deployed \$1 billion or more in FY 2024) purchased \$122.5 billion, representing approximately 79.90% of total volume across 789 transactions with an average deal size of \$155.21 million. This was an increase from FY 2023, where large buyers accounted for 74.07%.

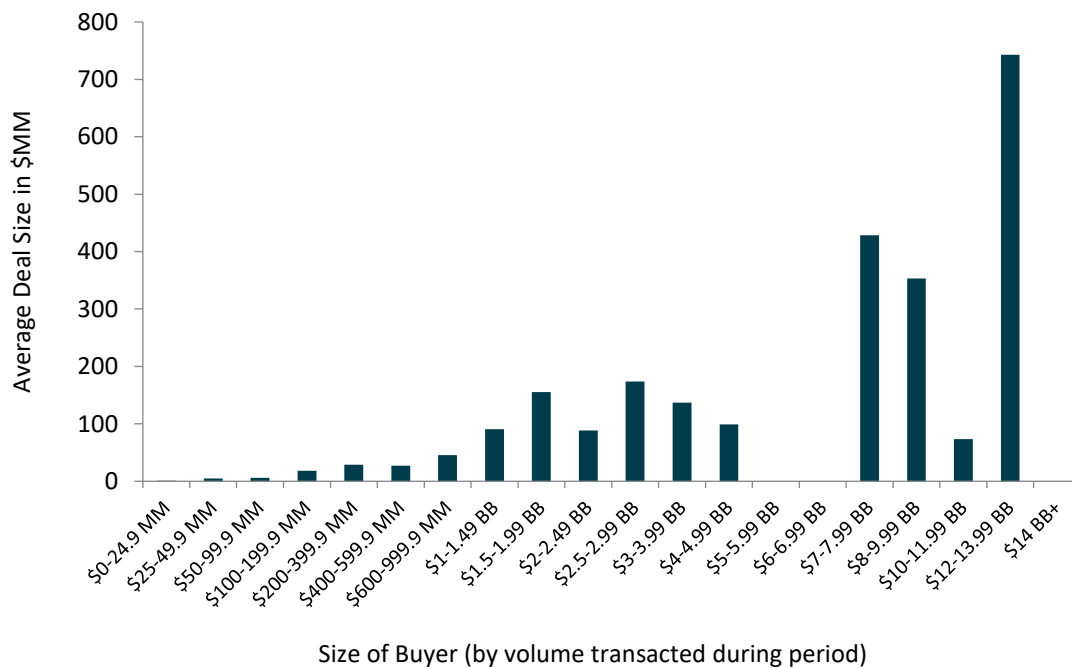
79 medium-sized buyers (defined as those that deployed \$100 million to \$1 billion in FY 2024) purchased \$29.10 billion, representing approximately 19.0% of total volume across 1031 transactions with an average deal size of \$28.24 million. This was a sizeable decrease from FY 2023, where they accounted for 24.1%.

36 small buyers (defined as those that deployed less than \$100 million in FY 2024) purchased \$1.71 billion, representing approximately 1.1% of total volume across 393 transactions with an average deal size of \$4.36 million. This was a slight decrease from FY 2023, where they accounted for 1.8%.

Number of deals and average deal size

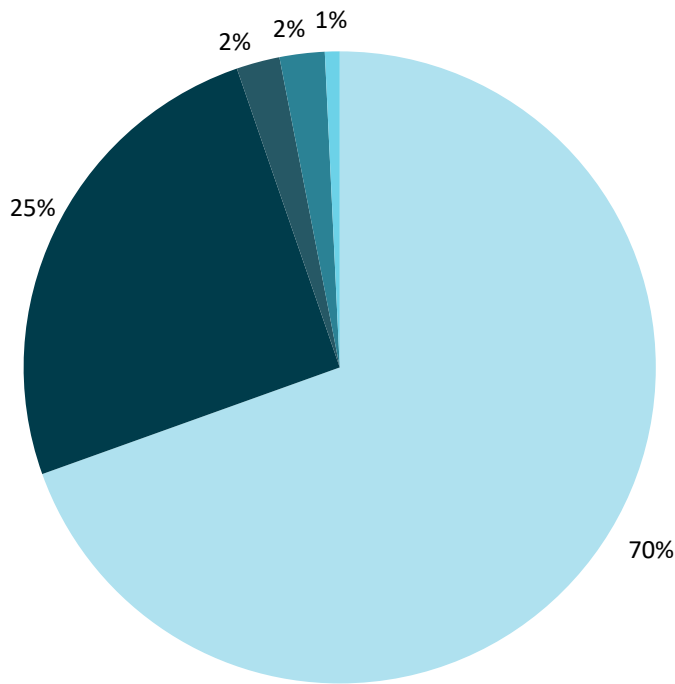
Buyers completed 2213 transactions in FY 2024 across the entire secondary market for alternative assets, with an average size of approximately \$69.29 million. The number of transactions increased 30.7% from 1693 transactions in FY 2023, while the average deal size increased 10.3% from \$62.81 million in FY 2023.

Average deal size by size of buyer



Payment terms

For 69.5% of their deals, buyers paid 100% cash on closing, while the balance of deals involved other payment terms or structuring as outlined below. For 25.2% of their deals, buyers paid a portion of the consideration in cash up front with the rest of the consideration being deferred. This payment structure was similarly utilized in 2023 (25.8% of deals), as buyers used deferrals to improve their prices and bridge the bid-ask spread.



■ 100% cash paid on closing

■ Payment was partially deferred (e.g. half on close, half in a year)

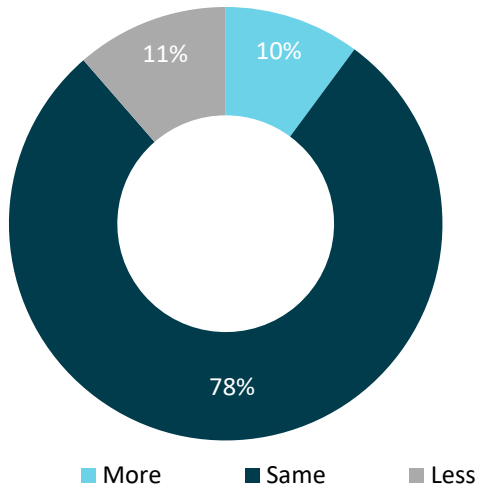
■ Preferred equity - a smaller consideration paid on closing - the buyer is entitled to a preferred return on distributions until some hurdle is achieved & little upside thereafter

■ Partial payment on close plus some upside sharing if a certain return or event occurs

■ Other

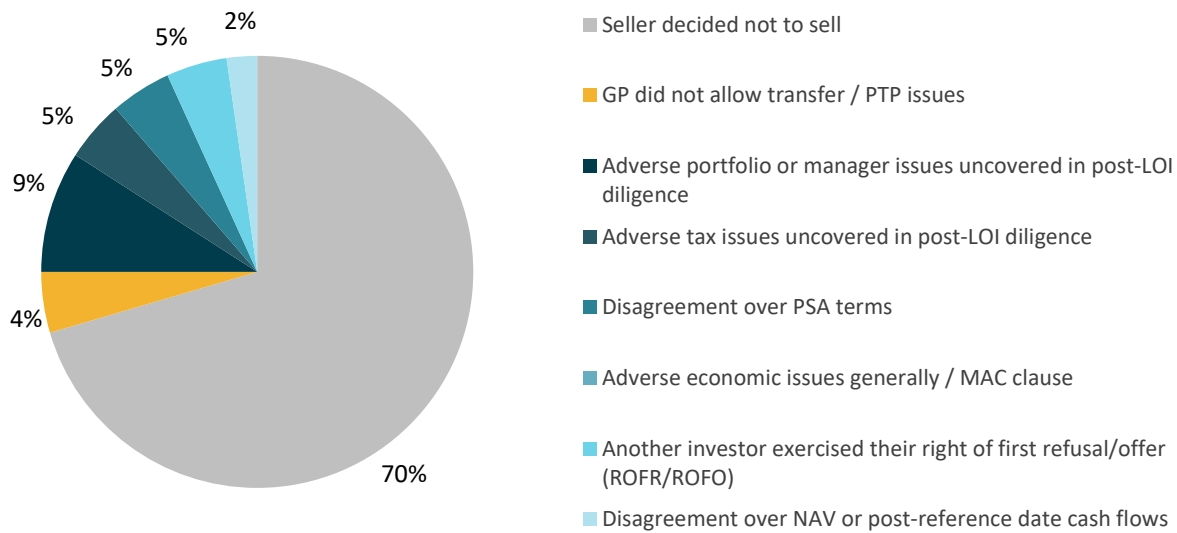
Execution risk

Percentage of deals that fell apart



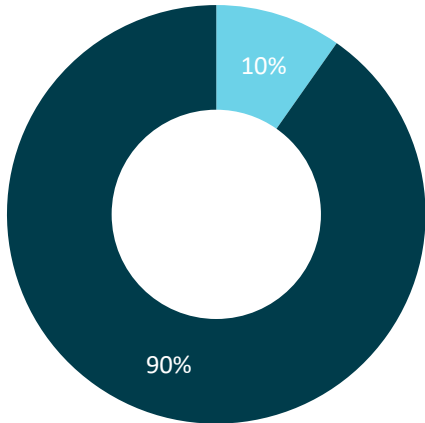
The majority of respondents had the same proportion of deals fall through in FY 2024 versus FY 2023, while only 10.1% of respondents had more fall through. This is lower than in FY 2023, when 19.5% reported a higher proportion of their deals falling through.

As outlined below, the main reason that deals fell apart was that the seller simply decided not to sell (70.5%). Other reasons were adverse portfolio or manager issues uncovered in post-LOI diligence (9.1%), GP did not allow transfer / PTP issues (4.5%), adverse tax issues uncovered in post-LOI diligence (4.5%), disagreement over PSA terms (4.5%) and another investor exercised their right of first refusal/offer (ROFR/ROFO) (4.5%).



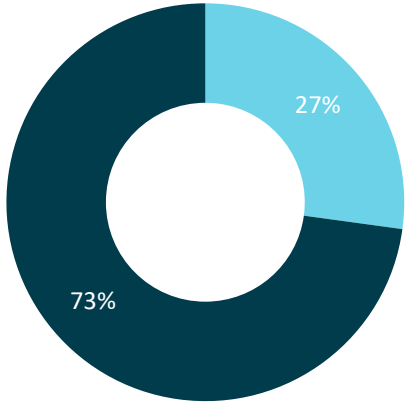
Buyers' scope of interest

Buyers broadening their focus in FY 2024



9.8% of participants broadened their secondaries focus in FY 2024 to include buying other alternative investment types (direct secondaries, infrastructure, private debt, etc.).

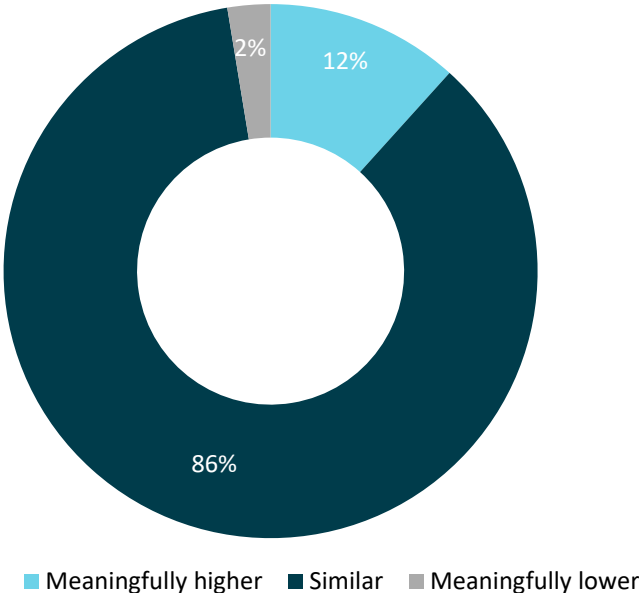
Buyers that intend to broaden their focus in FY 2025



27.2% of participants plan to broaden their secondaries focus in FY 2025 to include buying other alternative investment types. In lockstep, respondents also expected to increase their headcount by 5.0% in FY 2025.

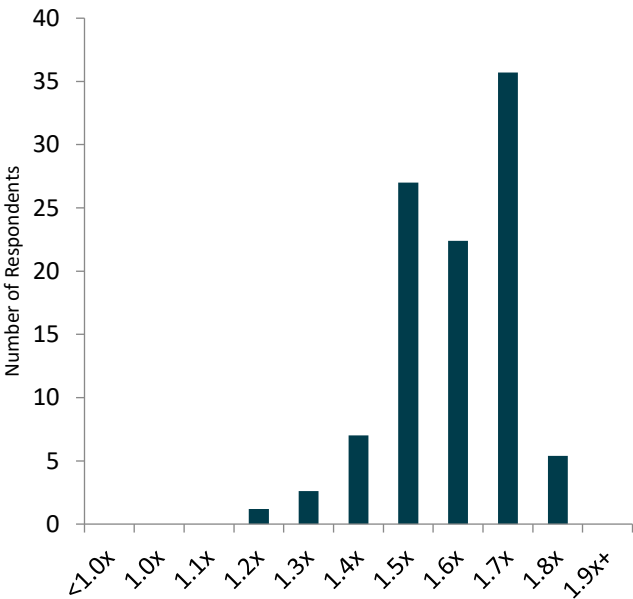
Leverage and returns

Level of debt used by buyers



Debt usage continued to be prevalent in FY 2024. 85.7% of respondents believed the level of debt used by buyers was the same as FY 2023, while 11.7% felt it was more and 2.6% felt it was less. This is significantly different from 2023, when 52.0% of buyers felt the level of debt used was lower.

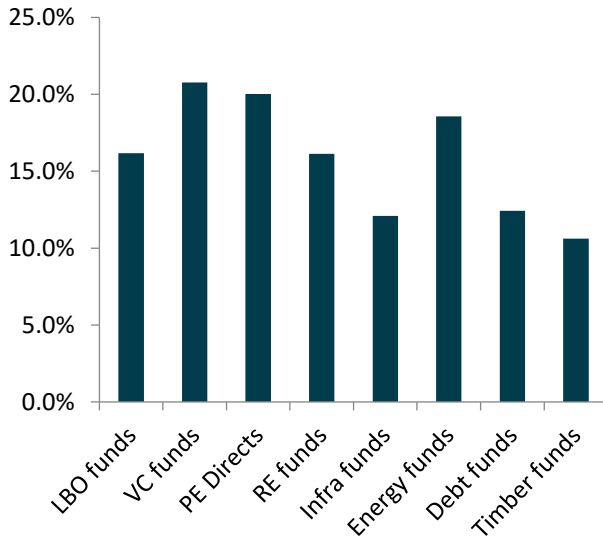
Expected multiple for secondary deals completed in FY 2024



Respondents predicted that the average gross multiple for secondary deals completed in FY 2024 will be 1.58x, lower than the 1.60x buyers expected from deals completed in FY 2023.

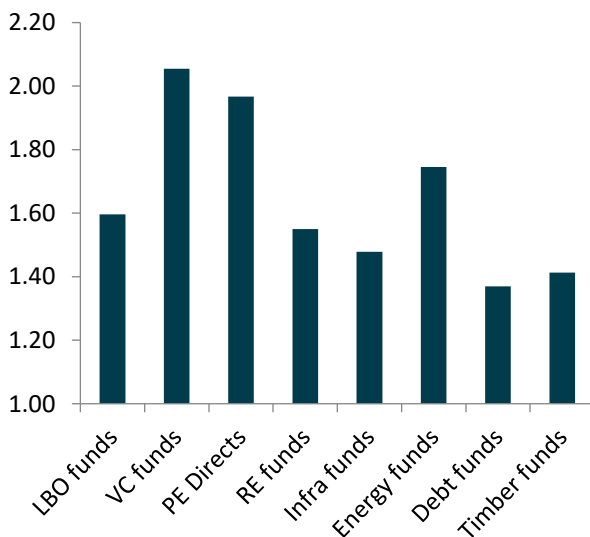
Buyers' target returns

Targeted IRRs on secondary purchases



When underwriting new purchases, buyers' average targeted IRR was 16.2% for LBO funds, 20.8% for VC funds, 20.0% for private equity directs, 16.1% for real estate funds, 12.1% for infrastructure funds, 18.6% for energy funds, 12.4% for performing debt funds and 10.6% for timber funds.

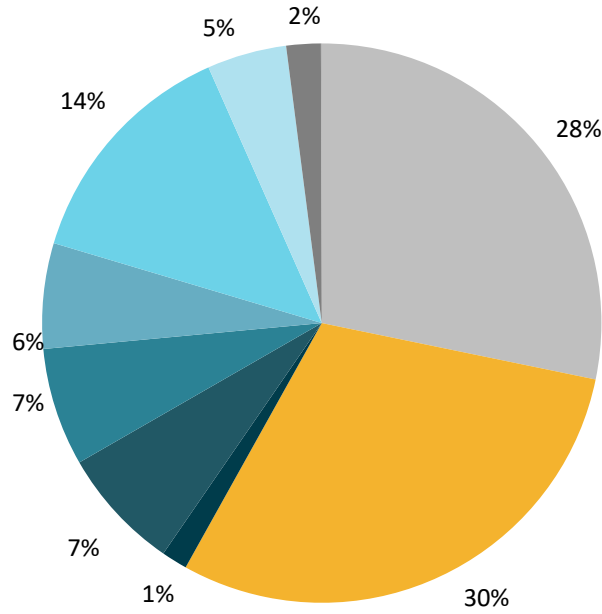
Targeted multiples on secondary purchases



On average, buyers' average targeted multiple was 1.60x for LBO funds, 2.05x for VC funds, 1.97 for private equity directs, 1.55x for real estate funds, 1.48x for infrastructure funds, 1.75x for energy funds, 1.37x for performing debt funds and 1.41x for timber funds.

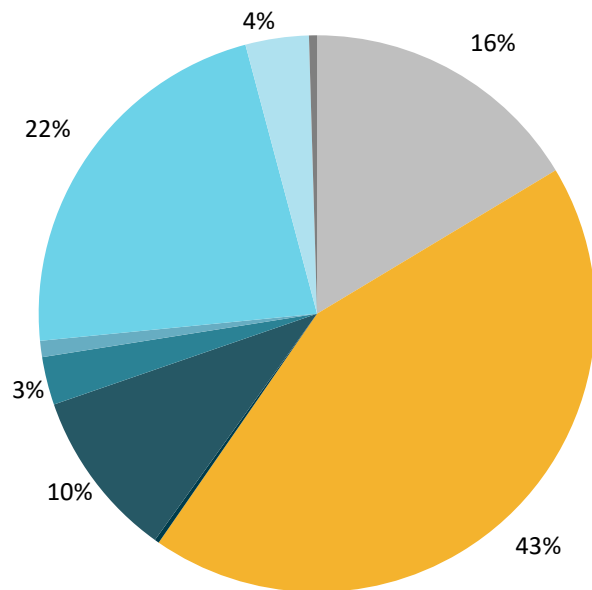
Seller profiles

Types of sellers in FY 2024



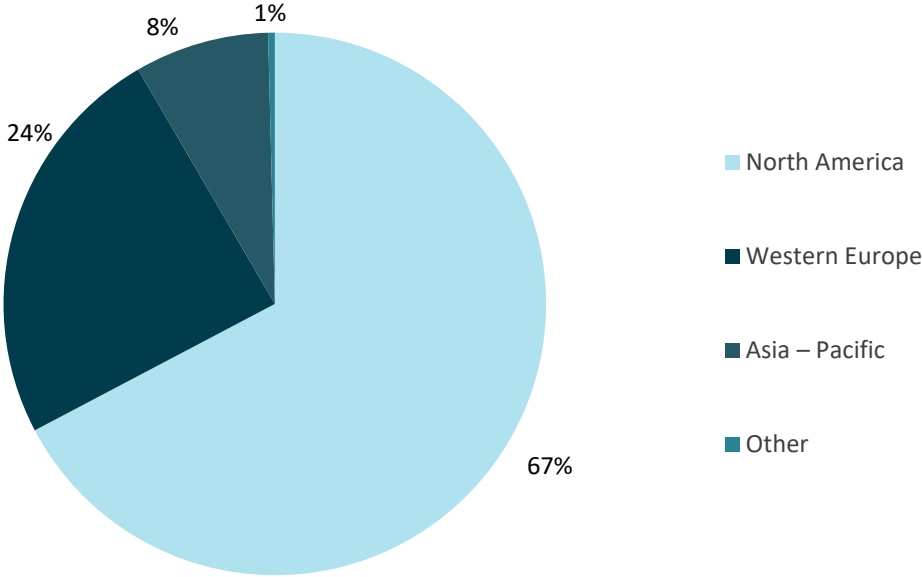
Pensions and GPs (that are not funds of funds or secondary funds) were the most active sellers in FY 2024 making up 29.9% and 28.2% of the FY 2024 volume, respectively. Most buyers expect pensions to be the biggest sellers in FY 2025 (43.2% of total transaction volume).

Expected sellers in FY 2025

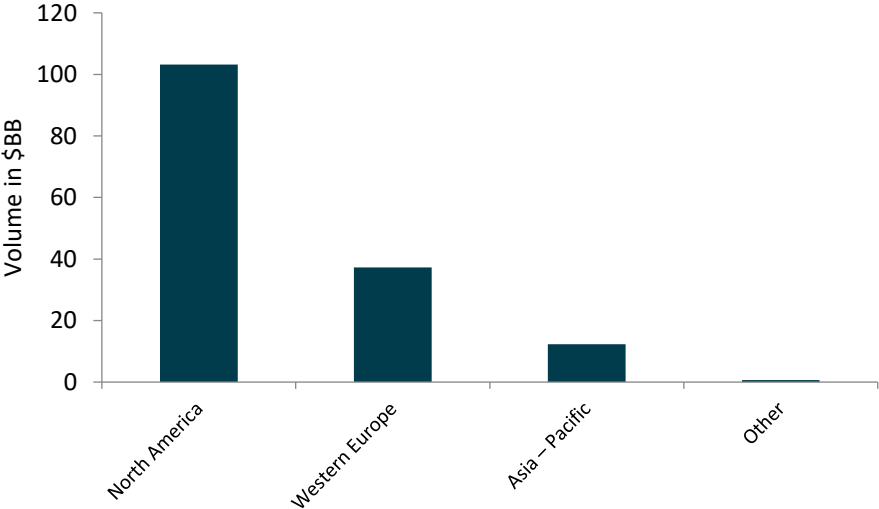


- Other Fund GPs (non FoF or Sec Funds)
- Pensions
- Sovereign Funds
- Fund of Funds / Secondary Funds
- Family Offices
- Banks
- Insurance Companies
- Endowments / Charities
- Corporate - Balance Sheet (non-financial)
- Hedge Funds / Hedge Fund of Funds

Seller location

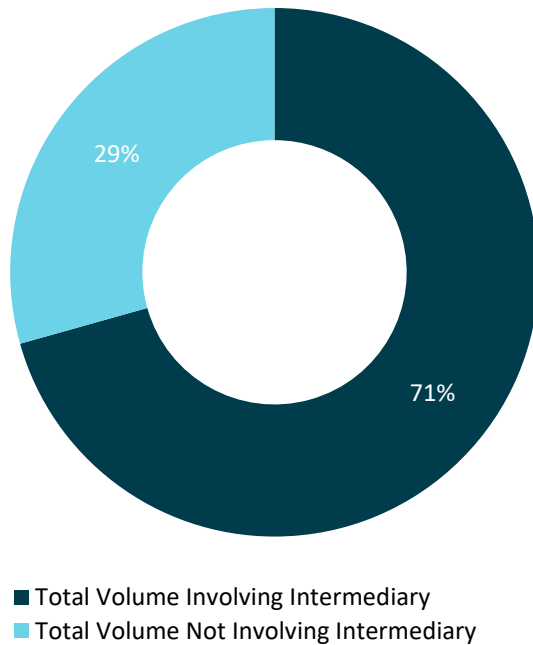


In terms of the location of sellers, North America accounted for the majority of volume in FY 2024. North American sellers sold \$103.16 billion (67.3% vs. 60.5% in FY 2023), whereas Asia-Pacific sellers sold \$12.28 billion (8.0% vs. 8.5% in FY 2023). Western European sellers accounted for 24.3% of the total volume down from 29.9% in FY 2023. Other geographies, such as the Middle East accounted for 0.4% of the total volume in FY 2024, down from 1.1% in FY 2023.



Intermediation and level of competition

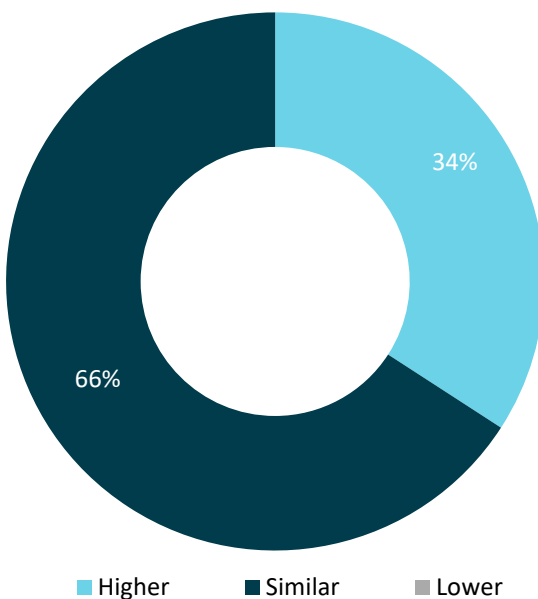
Volume of intermediated transactions



Approximately 70.6% of total secondary volume involved an intermediary, on either the buy or sell-side, which was lower than FY 2023 where they intermediated 75.4% of deals.

In terms of volume, agents intermediated a total of \$108.31 billion in deals, \$28.17 billion more than FY 2023, representing an increase of 35.2%.

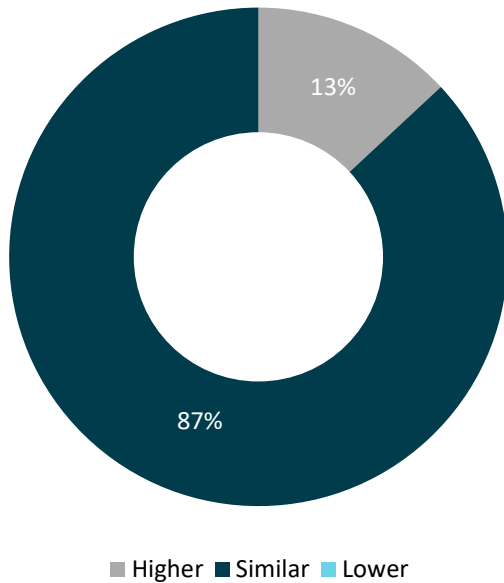
Buyer competition for deals



65.9% of respondents felt buyer competition in FY 2024 was similar to FY 2023, while 34.1% felt buyer competition was significantly higher. No one among the survey respondents felt buyer competition was lower in FY 2024.

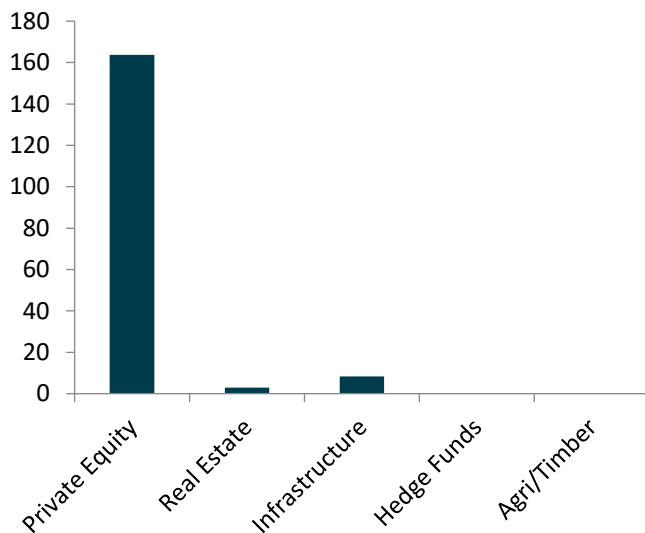
Projected volume for FY 2025

How FY 2025 volume will compare to FY 2024



2025 is expected to be higher than 2024, as 13.1% of respondents felt that their FY 2025 volume will be meaningfully higher than FY 2024 and 86.9% felt that it will be similar.

Predicted volume for FY 2025

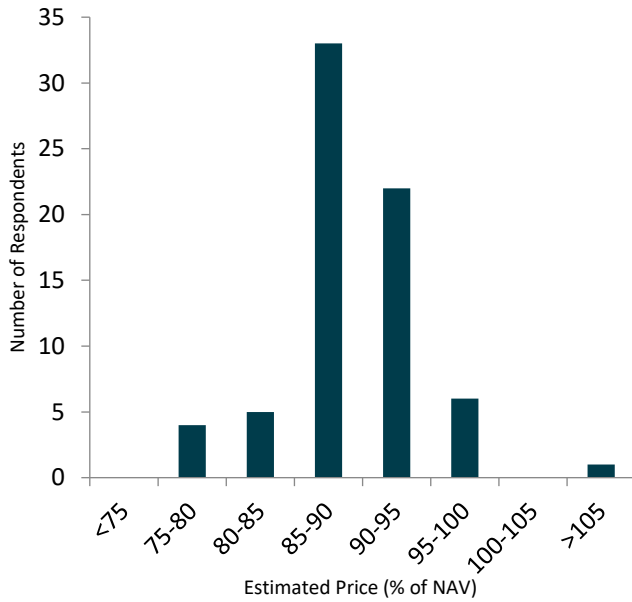


Respondents predicted the total volume for FY 2025 will be \$176.25 billion, which would represent a 15.0% increase from the \$153.31 billion transacted in FY 2024.

Assuming proportions do not change in FY 2025, Direct secondaries will be \$75.73 billion and fund secondaries will be \$100.79 billion. This also suggests private equity volume will be \$163.99 billion in FY 2025, real estate will be \$3.22 billion, infrastructure will be \$8.66 billion, hedge funds will be \$230 million and agriculture & timber will be \$150 million.

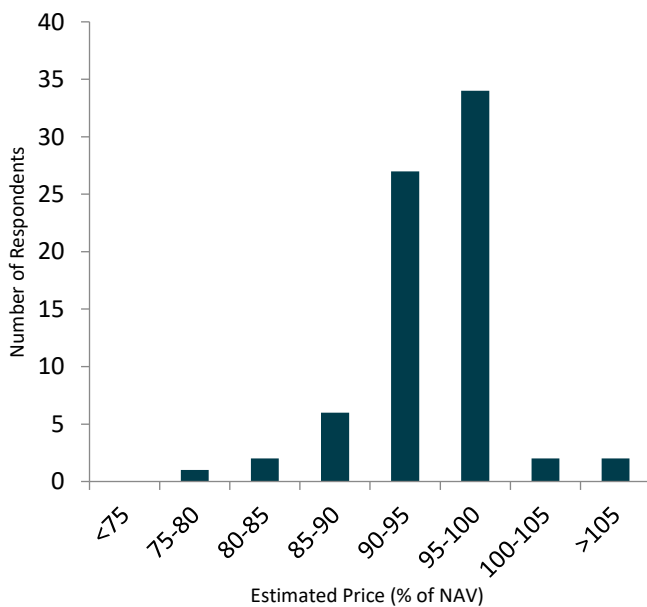
Pricing in FY 2024

Average price for LP-led fund sales



Respondents estimated that the average price for LP-led fund sales was a 10.7% discount to NAV in FY 2024.

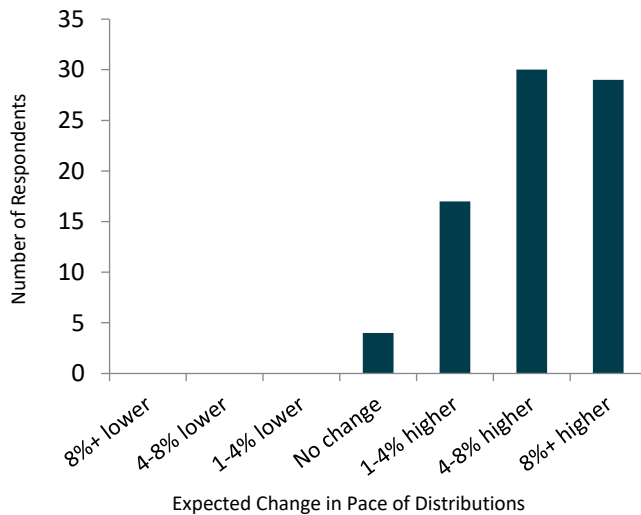
Average price for GP-led direct deals



Respondents estimated that the average price for GP-led direct deals was a 5.3% discount to NAV in FY 2024.

Expected distribution and NAV changes in FY 2025

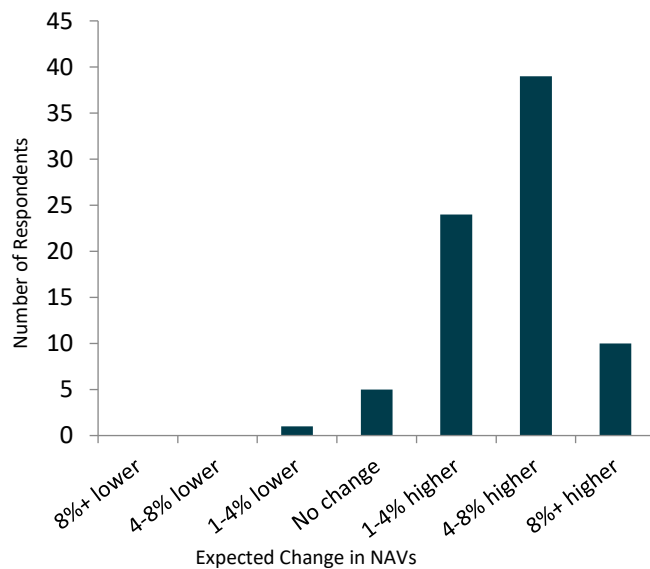
Expected change in distributions



Respondents expect the pace of distributions in FY 2025 to be higher than FY 2024 as the average response suggests an expected increase of 6.4%.

Respondents are more optimistic than they were in 2023, when they expected the pace of distributions to be up 4.7% in the coming year.

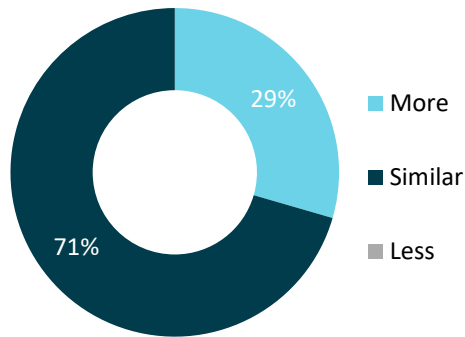
Expected change in NAV



On average, respondents expect NAV valuations to increase by 4.9% in FY 2025 compared to FY 2024. This is higher than FY 2023 when respondents expected NAVs to increase by 3.2% in the upcoming year.

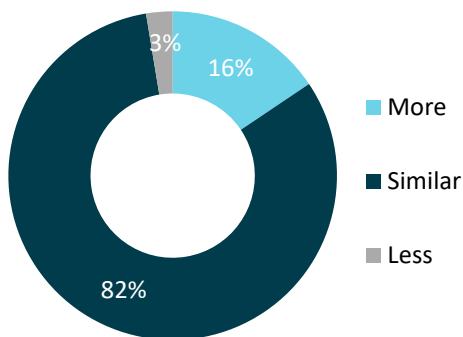
General partners' approach to the secondary market

Liquidations and restructurings



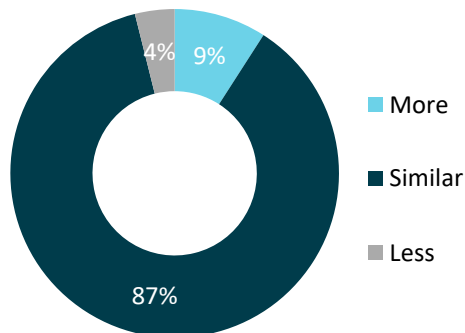
29.5% of respondents felt that meaningfully more GPs attempted to liquidate or restructure older funds in FY 2024 compared to FY 2023.

Staples sought by GPs



15.6% of respondents felt that meaningfully more GPs sought staples in FY 2024 as compared to FY 2023.

GPs' restrictiveness on transfers



The majority of the respondents felt that GPs' restrictiveness on transfers did not change in FY 2024 compared to FY 2023.

Select respondents

50 South Capital
Aberdeen Standard Investments
Adams Street Partners
Alpinvest Partners
AltamarCAM Capital
Apogem Capital
Arcano Capital
Bee Alternatives Limited
Bex Capital
Blackrock
Capital Dynamics
Coller Capital
Commonfund
Corbin Capital Partners
CPPIB
Eurazeo
First Trust Capital Management
Flexstone Partners
Glendower Capital
Glouston Capital Partners
Golding Capital Partners
Grosvenor Capital Management
Hamilton Lane
HarbourVest Partners
Headlands Capital
Hollyport Capital
HQ Capital
Intermediate Capital Group (ICG)
Jasper Ridge
Jera Capital
Kline Hill Partners
Knightsbridge Advisers
Landmark Partners
LGT Capital Partners
Macquarie Asset Management
Montana Capital Partners
Morgan Stanley
Multiplicity Partners AG
Neuberger Berman
Newbury Partners
NewQuest Capital Partners
North Sky Capital
Northleaf Capital
Oddo BHF Private Equity
Overbay Capital Partners
Pantheon Ventures
Partners Group
Pathway Capital Management
PineBridge Investments
Pomona Capital
Portfolio Advisors
RCP Advisors
Roc Partners
Schroder Adveq
Stafford Capital
StepStone Group
Strategic Partners
Sturbridge Capital
Sweetwater Private Equity
Tikehau Capital Advisors
Top Tier Capital Partners
TR Capital
UBS Asset Management
Unigestion
Velocis
Vintage Investment Partners
W Capital
Warana Capital
Willowridge Partners

About Setter

Established in 2006, Setter Capital is a leading independent advisory firm specializing in providing liquidity solutions for fund managers and institutional investors in the secondary market for alternative investments. We serve a diverse client base including some of the world's largest pensions, endowments, investment consultants and fund managers. To date, Setter Capital has completed over 2000 transactions, representing more than \$40 billion in liquidity across venture capital, private equity, infrastructure, real estate, real asset, and hedge fund investments.

Setter Capital's mission is to make the secondary market more transparent and efficient for all market participants. To this end, Setter provides the market with complimentary secondary market research and analytical tools such as:

The Setter Volume Report™

The semi-annual report that provides the most comprehensive and accurate assessments of the secondary market.

The Setter30™

The quarterly ranking of the most sought-after venture-backed companies in the global secondary market.

The Setter Liquidity Rating™

A unique rating system that allows buyers, sellers and creditors to assess the relative liquidity of over 7000 different fund families.

The Setter Liquidity Report™

A 17-page comprehensive review of an investor's portfolio addressing all aspects of active portfolio management and construction.

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Voted Best Secondaries Solution & Platform

Private Equity Wire US Award 2021, 2022, 2023 and 2024,
European awards 2024