

Asia GP-led secondaries: A new normal for liquidity?

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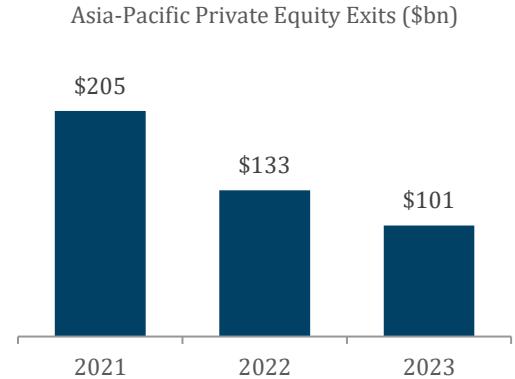
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While continuation fund (“CF”) transactions are firmly established in the US and Europe, these transactions are also increasingly being used across Asia.

Since we at BDA launched our Private Capital Advisory (“PCA”) practice, various sponsors across Japan, India, China, and SE Asia, among others in the region, have completed CF transactions. While APAC markets still lag behind their western counterparts in terms of utilising this type of transaction, **recent reports of large secondary transactions completed by ChrysCapital (in India) and PAG (in China) have been encouraging.**

Given recent market volatility and challenging exit environment, GPs have consistently used secondaries to generate liquidity, but also to hold on to assets longer

In particular, **GP-led secondaries have become a more attractive, alternative, path to liquidity amid a challenging exit environment for sponsors** during the past two years. As reported by Bain, exits in Asia fell to US\$101bn in 2023, decreasing by 26% as compared to the previous five-year average and also declined 51% from the record-breaking level in 2021. Furthermore, IPOs have also lagged in most parts of Asia. As such, **GPs have increasingly turned to CF transactions in order to provide Distributions to Paid In Capital (“DPI”) to their LPs.** That being said, even in hot IPO markets, such as Japan and India, we continue to see a strong appetite for GP-led transactions,



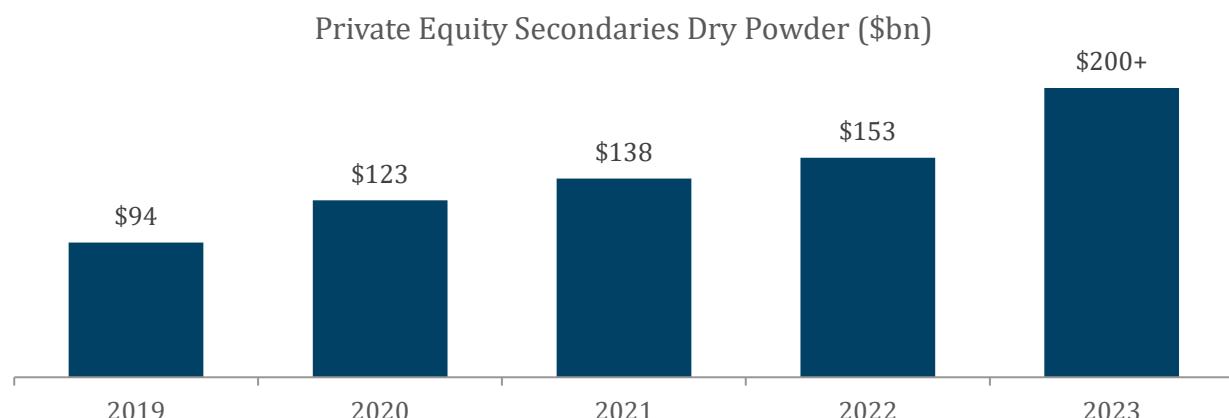
Source: William Blair and BDA estimate

with half a dozen closed secondary transaction in India during the past 12 to 18 months. Given the continued focus on liquidity and volatile markets, we believe more sponsors will tap the secondaries market going forward.

Interests in secondaries amongst investors continue to increase

While GPs continue to seek ways to provide accelerated liquidity to their LPs, secondary funds also experience increasing demand from investors and as such an increase in capital allocation. According to Coller Capital's latest Global Private Capital Barometer, **38% of respondents expect to increase their allocations to secondaries over the next twelve months, making it the second-most in demand private markets strategy.**

As a result, several of the market's largest investors have raised dedicated funds in excess of US\$10bn in 2023 with Secondaries Investor estimating that a **total of US\$118bn was raised by secondaries funds last year**. However, only a fraction of that amount is invested in Asia- typically 5% to 10% of the global secondary volume in any given year.



Source: Preqin

Advisors play a vital role in GP-led transactions especially in today's market

As with any transaction, buyers often evaluate the risk / return profile of the potential opportunity. Secondary investors are typically focused on GP-alignment, strong (profitable) growth and recession resilience when evaluating secondary opportunities. While there has been an increasing supply of transactions in Asia, not all of the transactions coming to market have matched those criteria and as such some of them have failed to close.

Furthermore, macro-economic and political uncertainty, in particular in China, have led to a **more cautious underwriting by secondary investors in such markets, which resulted in a pricing gap during the past two years**. However, with increased sophistication and GPs' desire to hold onto 'trophy assets' for a longer duration in order to maximise value, we believe the average quality of these transactions will continue to increase and therefore drive market volume.

While GP-led transactions remain underpenetrated in Asia, **GPs are increasingly seeing the benefits and value them as an alternative route for exits**. Advisors like BDA Partners play a vital role in advising their clients on **asset selection, mitigation of potential conflicts of interest as well as maximising execution certainty and therefore creating a "win-win" transaction for both GPs and investors**. There is still plenty of room to grow within Asia and BDA Partners believes that we will see more of these transactions across all of our core markets in Asia.

BDA PCA recently announced the successful closing of its first PCA mandate and is currently working on several other PCA transactions. For further discussions to learn more about the state of the secondary market and how we can be helpful, please do not hesitate to reach out to the [**BDA Partners PCA team**](#) for more information.

About BDA Partners

BDA Partners is the global investment banking advisor for Asia. We are a premium provider of Asia-related advice to sophisticated clients globally, with over 25 years' experience advising on cross-border M&A, capital raising, and financial restructuring. We provide global reach with our teams in New York and London, and true regional depth through our seven Asian offices in Mumbai, Singapore, Ho Chi Minh City, Hong Kong, Shanghai, Seoul and Tokyo. BDA has deep expertise in the Chemicals, Consumer & Retail, Health, Industrials, Services and Technology sectors. We work relentlessly to earn our clients' trust by delivering insightful advice and outstanding outcomes.

BDA Partners has strategic partnerships with William Blair, a premier global investment banking business, and with DBJ (Development Bank of Japan), a Japanese Government-owned bank with US\$150bn of assets. bdapartners.com

Our Private Capital Advisory (PCA) practice builds on the success of BDA's industry-leading M&A advisory and extensive financial sponsors coverage. We provide strategic advisory services to financial sponsors across a variety of portfolio and fund management objectives and advise LPs on liquidity solutions for their private fund portfolios. We leverage our global network and expertise to deliver best-in-class results.

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