KEYNOTE INTERVIEW

Growing complexity and industry shifts

Structural changes and the rise of artificial intelligence have created a more intricate secondaries framework, says Thomas Roche Toussaint, head of PE secondaries and co-investments at UBS Asset Management

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Q How would you describe the current state of the secondaries market and the outlook for the rest of the year? Last year, secondaries volumes reached a new level, mainly driven by continued low distributions and ongoing macroeconomic uncertainties. Many investors had to pivot away from certain sectors and markets, rebalance their portfolios and adjust their strategic exposures.

We saw a record inflow of newcomers entering the sellside market, as well as many secondaries sellers returning. The added number of participants on the buyside also allowed for additional capital resources. A lack of capital has always been a hurdle for secondaries, so this increase has materially helped drive activity and sellside confidence. Overall, the market became larger and more efficient.

When we look at longer-term trends, we see something more significant: the continued adoption of secondaries technologies. A structural shift is taking place wherein the private equity industry has found its liquidity mechanism and is using it more broadly and systematically. Secondaries are now part of both limited partners' and general partners' portfolio construction and management; this structural shift provides a longer-term path for market growth and an increasing number of opportunities.

Looking ahead, we believe this could be another good year for the market. In the first months of 2026, the pipeline was strong and already significantly ahead of where it was at the start of 2025. Several macroeconomic events impacted activity in the second half of Q1, before the market picked up again in Q2. As a result, the market is less bullish than it was at the beginning of the year, but we believe 2026 could still see year-on-year growth of 10-20 percent.

Q How have recent industry-specific shifts impacted the GP-led market?

Q1 was marked by the headlines surrounding AI's impact on software companies, which caused a lot of people to step back and wait for the dust to settle. As the market sought to understand which businesses would emerge as winners – and, more broadly, how to underwrite this shift – there was a pause. We are not fully on the other side of that yet.

As usual, however, the secondaries market adapted quickly. We saw the focus shift towards deals that were less dependent on software, including industrials, healthcare and business services. These sectors helped maintain a sustained level of activity through Q2 and create a strong start to Q3.

We believe the tech and software sector could be poised for a comeback. Many portfolio companies are currently undergoing transformations and looking to prove their models. Businesses that continue to deliver value-add services are likely to absorb the impact of AI-driven shifts. Over the coming quarters, the winners and losers should become clearer, and investors like us who have remained cautious may be better positioned to deploy.

In fact, there are a lot of opportunities among businesses that are currently misunderstood by the market. They have great business models, resilient customer bases and deliver critical value-add services. Those strengths are unlikely to just go away. The means of delivery of those services are evolving, and GPs are likely to continue optimising these stories before bringing assets to market.

Q What impact is AI having on the way deals are done?

AI allows for much more efficiency in both underwriting and monitoring processes. A key use case is faster initial data gathering for due diligence, which enables investors to screen transactions more rapidly. AI also allows more data to be captured during the due diligence phase. This requires access to large data sets, which can typically favour larger platforms. These efficiency gains, combined with the increased number of data points that can now be considered, will likely make processes even faster – and, hopefully, decisions more informed.

However, AI remains an efficiency tool: it warrants interpretation and a critical approach to the data collected and initial findings. The process still requires an underwriting process to take place, in line with strategy, portfolio construction and risk-return profile.

When it comes to portfolio management, AI is likely to become

Q What trends are you seeing when it comes to LP/GP dynamics, and what does that imply for the future of secondaries deals?

The complexity of exchanges between GPs and LPs has increased a lot in recent years, especially as a lot of LPs have had to respond to requests from GPs regarding continuation vehicles while becoming more active in the management of their own portfolios. LPs have become more and more sophisticated and have been asking GPs for more rights, more transparency and the ability to be more present alongside GPs in transactions. They want to participate in discussions and make informed decisions on whether to roll or not.

As a result, we have gradually seen a shift towards a more active role for LPs in secondaries, as well as a greater sense of partnership with their GPs. We also see LPs allocating dedicated capital to these strategies, accelerating their sophistication and their ability to use these tools for portfolio construction.

On the GP side, there is a lot more appetite for GP-led transactions because the stigma that used to surround them has faded. As LPs have built knowledge and understanding, there is much more value in sitting down together to have open discussions. LPs are becoming more involved in decision-making, they want more rights in their legal agreements and they want the ability to reinvest in these transactions once they fully understand what is at stake. For GPs, this may mean they are met with more positive reactions when they bring deals forward for discussion.

increasingly essential and should improve the depth and quality of the information collected by GPs. We already see this happening through firms' reporting. This will hopefully translate into even more transparency for investors, who have been continuously pushing for it.

Some have argued that these tools will narrow bid spreads on transactions. That may be partially true, but the increased transparency is a positive development. In secondaries, evaluating large portfolios often forces due diligence to concentrate on the largest NAV exposures. AI is changing that by enabling broader analyses. The success of these tools still depends on the breadth and quality of the underlying data set, which is why many firms are currently prioritising data infrastructure while also exploring new AI use cases.

Q We have seen a lot of headlines around valuations recently, particularly as it relates to evergreen funds. How is the secondaries market reacting to those?

The secondaries market exists to provide liquidity for an otherwise illiquid asset class. This liquidity mechanism is underpinned by two distinct pricing components.

First, there is the reference valuation established by the GPs who own the assets. These valuations are typically conducted on a quarterly basis using company fundamentals and relevant market comparables. This process is independent of any secondary transaction and does not involve prospective buyers.

Second, there is the market value of liquidity itself: the price a buyer is willing to pay today to acquire the asset, taking into account its future potential and the value of accelerated liquidity provided to the seller. Because private companies and fund interests are not traded daily, a price discovery process is required to determine this market-clearing price.

This price discovery process is driven by negotiation between buyers and sellers. The agreed price reflects not only the underlying asset's performance and GP valuation, but also the value and timing of liquidity, prevailing market conditions, transaction dynamics, portfolio construction considerations and the supply-and-demand balance within the secondaries market.

As a result, secondaries market pricing should not be viewed just as a discount to the latest reported valuation, but rather as the outcome of a market-based assessment that incorporates both asset value and the economic value of immediate liquidity. Ultimately, there is a lot of scrutiny around valuations today, and secondaries buyers need to be careful when evaluating reporting methodologies and ensuring the price of liquidity is properly understood when the market assesses these transactions – particularly those executed at high discounts. Discounts are only a small part of the story, and the ability to buy (and sell) quality portfolios has historically been an important driver of returns.

Right now, people are much more focused on the liquidity of portfolios and their ability to show growth and uplift. That is why a lot of the recently successful LP-led transactions involved portfolios with a good mix of assets, low concentrations and the ability to show strong growth and resilience in uncertain times.

In the case of evergreens, NAV is effectively recorded monthly. The underlying assets, however, typically follow a different reporting cycle (quarterly), which investors need to understand. It is therefore also important that secondaries buyers are clear when reporting their valuation methodologies. When LPs conduct due diligence on these funds, they also need to carefully look at the valuation practices and understand what drives short-term uplift. As the market continues to mature, this is likely to become critical. ■

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