THE ABCS OF SECONDARIES



FundOpsHQ

Alma the alpaca takes the seat when someone needs to get off



This book belongs to

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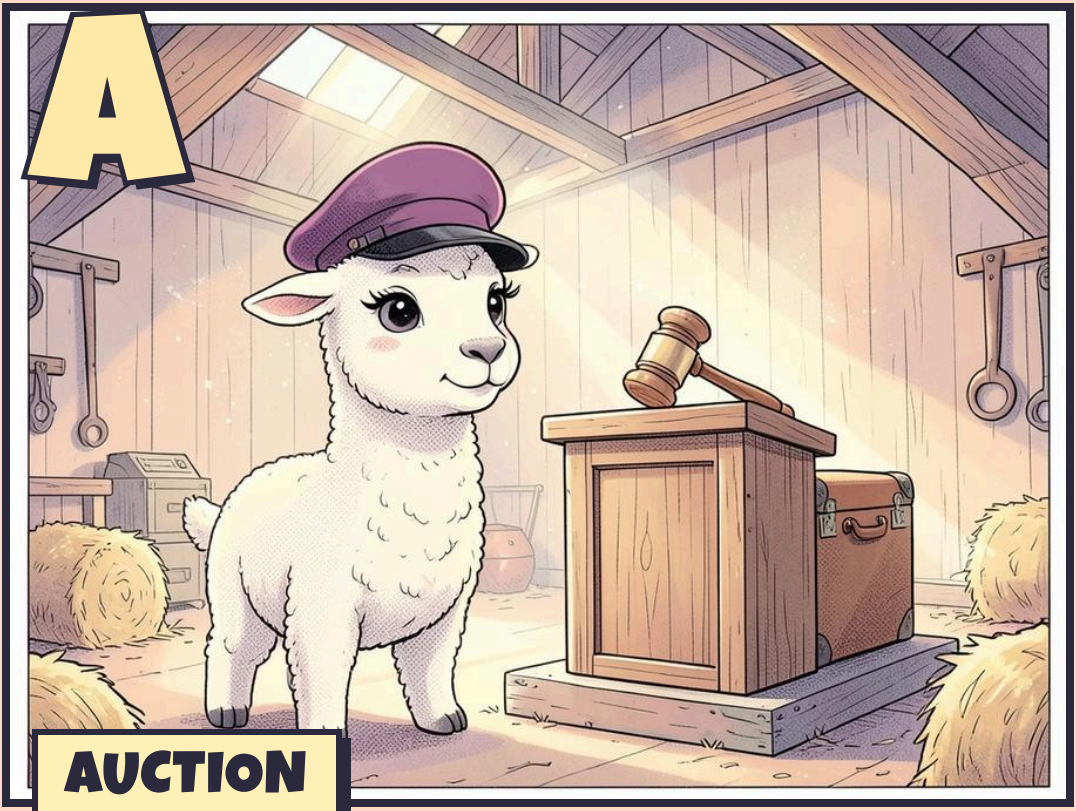


Many sellers ask several buyers for a price, then choose among them. That is an auction.



A bid is the price a buyer offers for a stake in a fund. It is often given as a share of the stake's reported value.

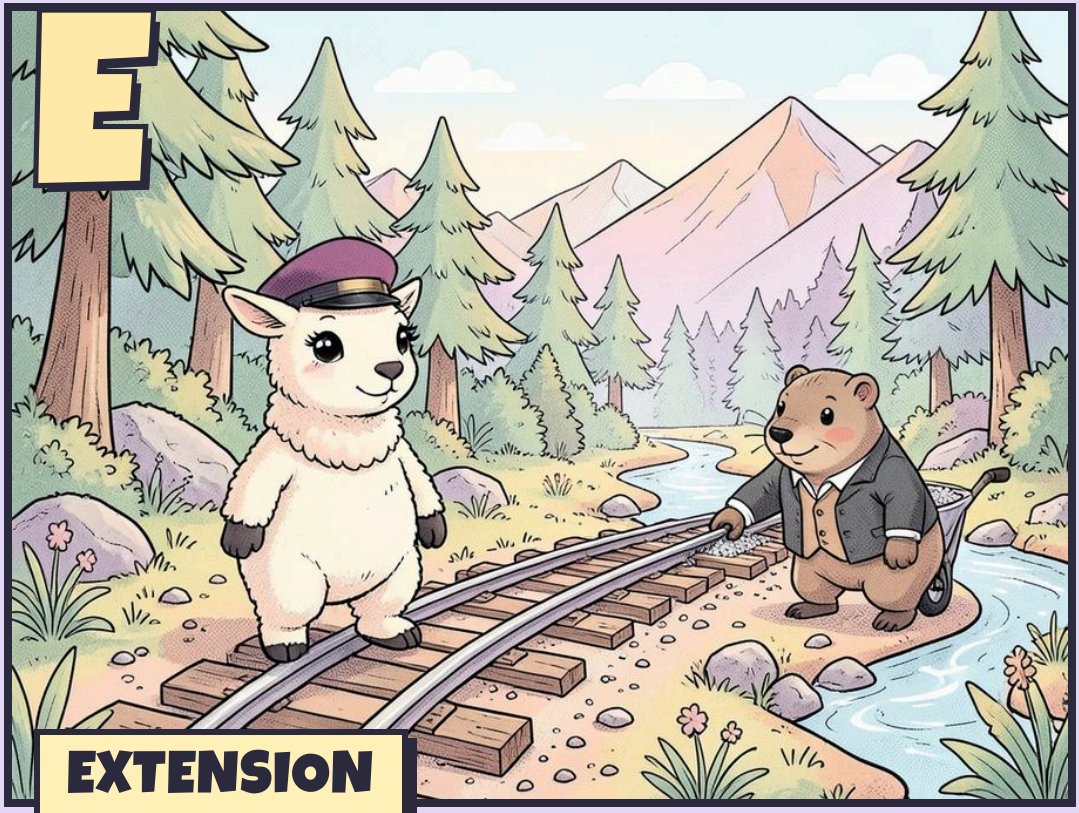


CONTINUATION FUND

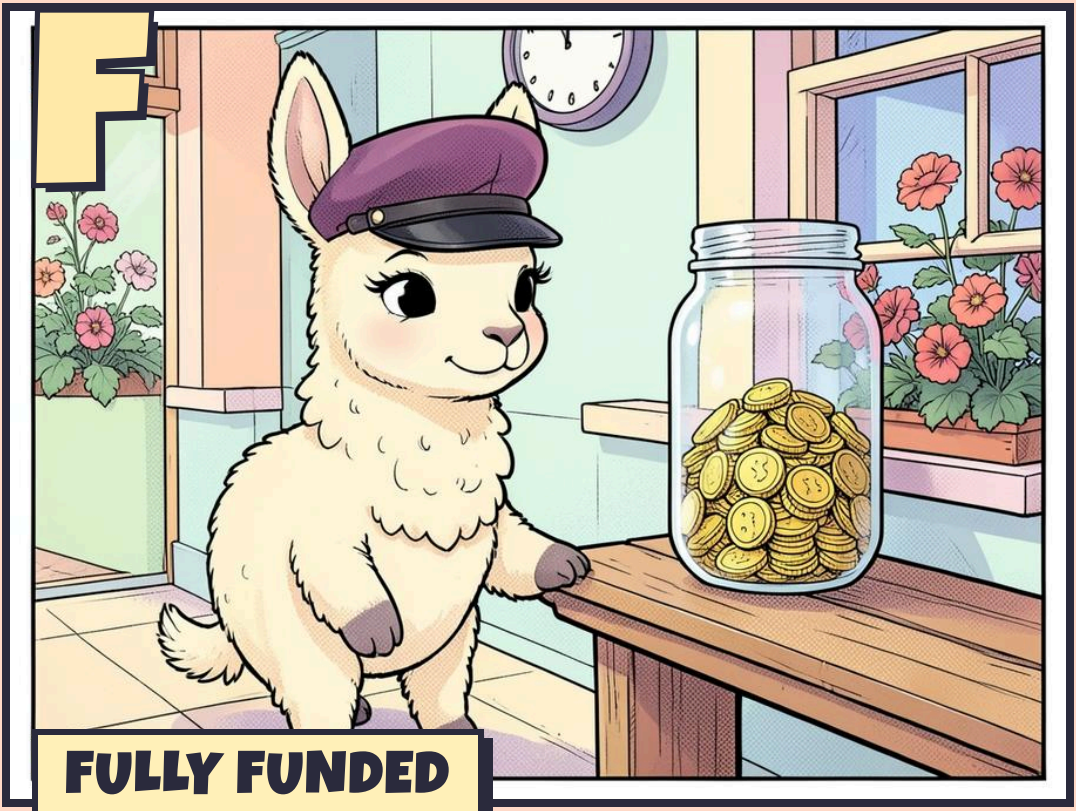
A continuation fund lets a manager move a company from an old fund into a new one, to have more time with it. Investors can sell or stay.



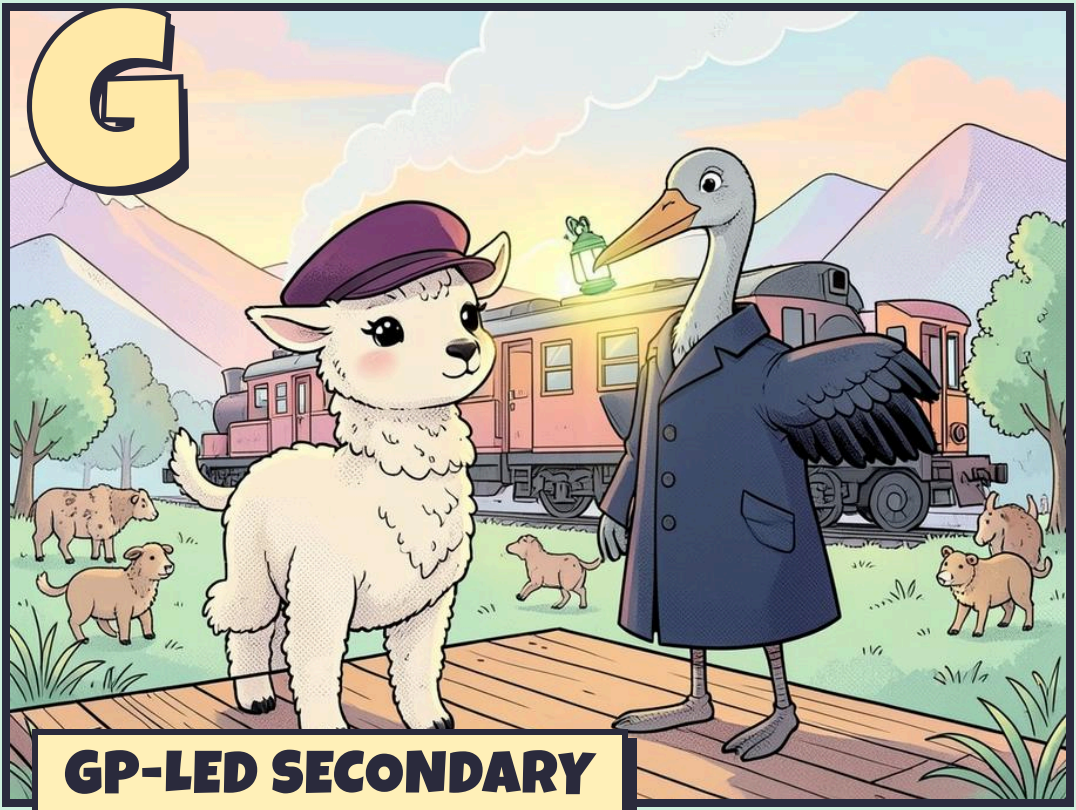
If a stake is reported at 100 and a buyer pays 90, the gap of 10 is the discount. The wait for cash is one reason buyers ask for it.



Many funds can run past their planned end, commonly a year or two at a time. That is an extension, and the journey continues.



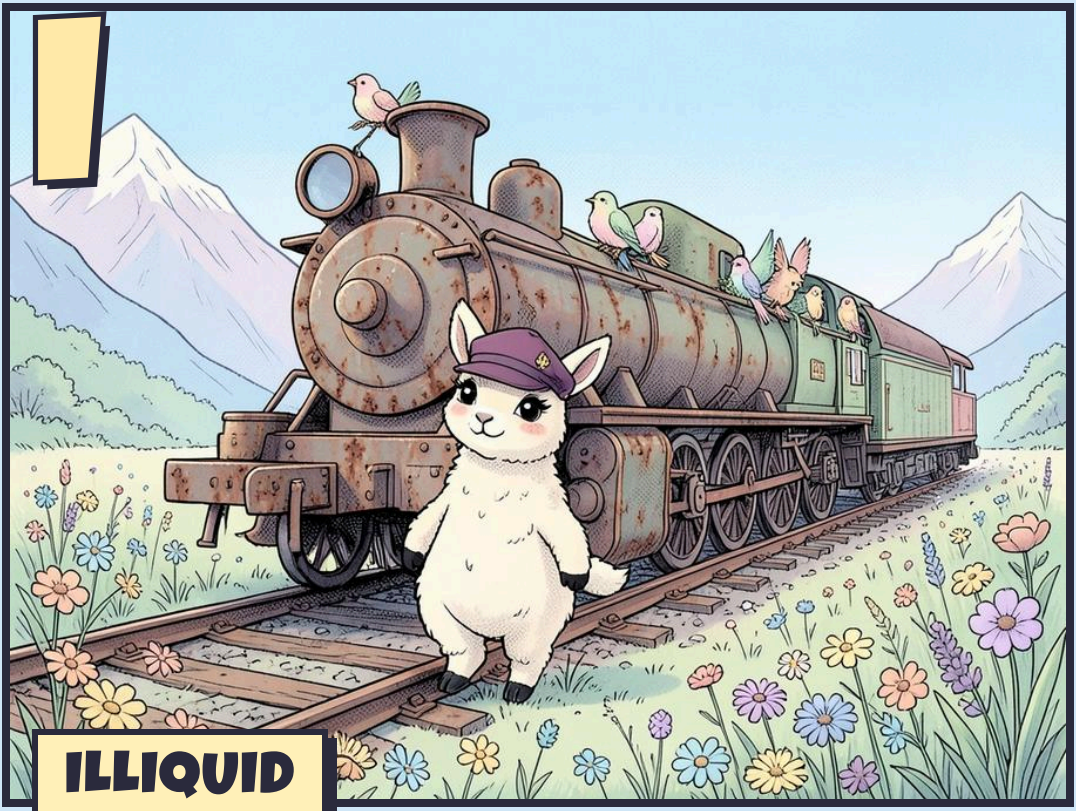
A stake is fully funded when all the promised money has been paid in. A buyer then usually has nothing further to send.



In a GP-led secondary, the fund's manager starts the sale, rather than one of its investors. It often involves just one company or a few.

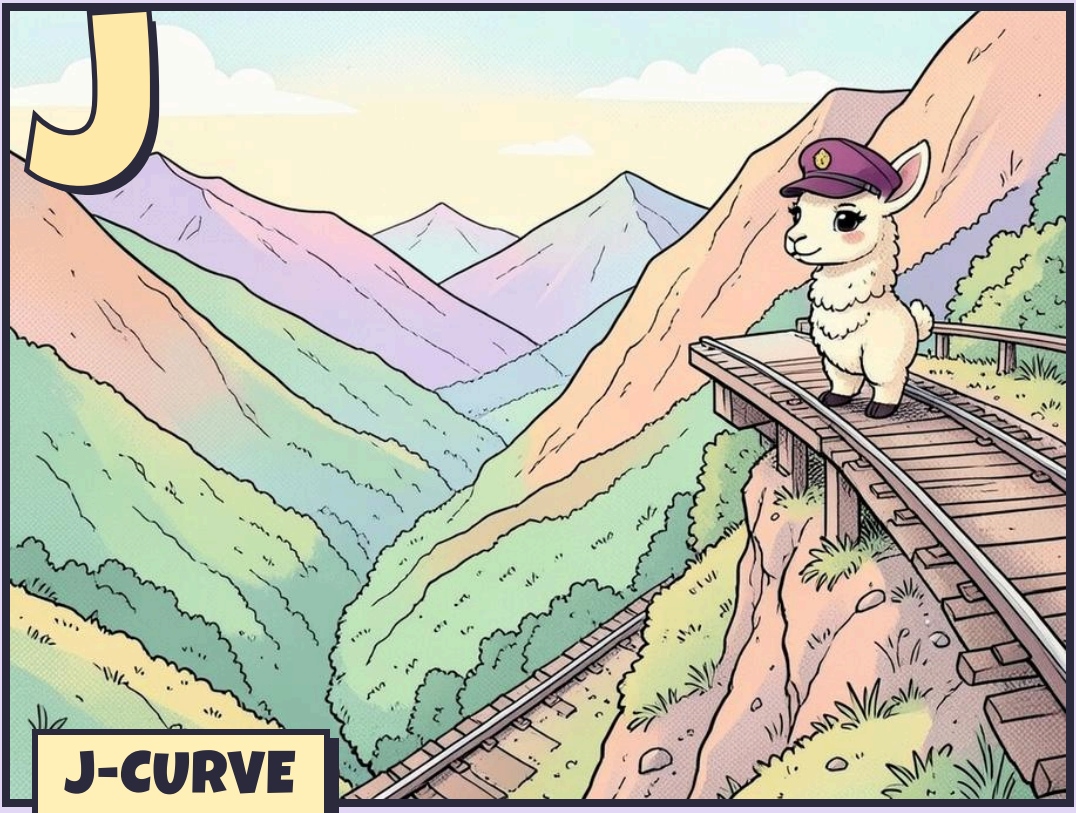


A fund's holdings are what it owns. Before bidding, a buyer tries to understand each one, even the small ones.

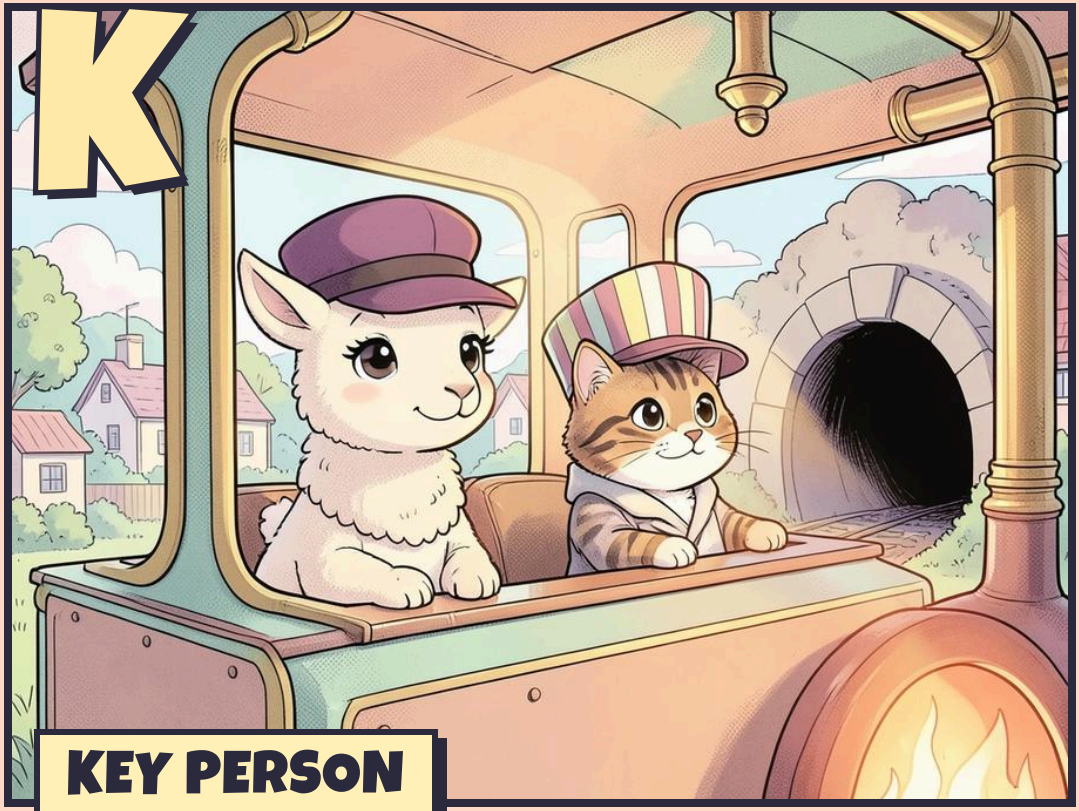


ILLIQUID

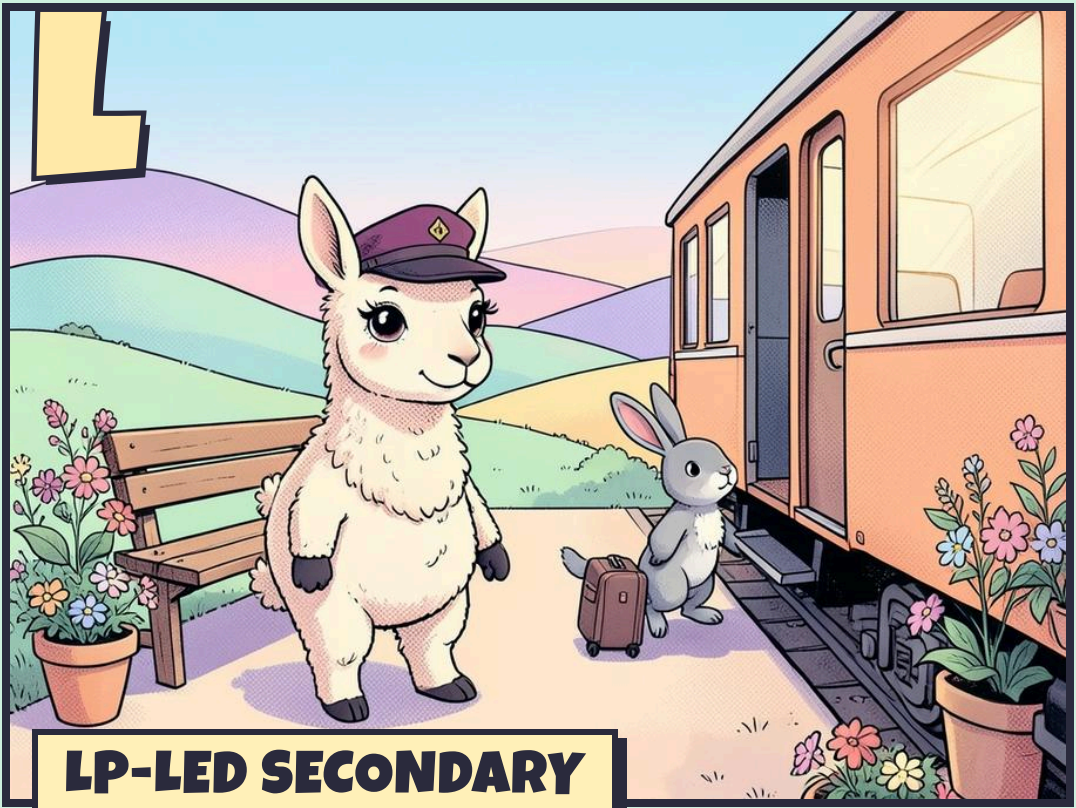
An illiquid thing cannot be sold quickly. A stake in a private fund usually is illiquid. This market is one way out.



Early in a fund's life, fees and young investments pull its value down. Buyers arrive later, when much of that dip has passed.



Some funds name the people they rely on most. A buyer looking at an older fund asks whether those key people are still there.



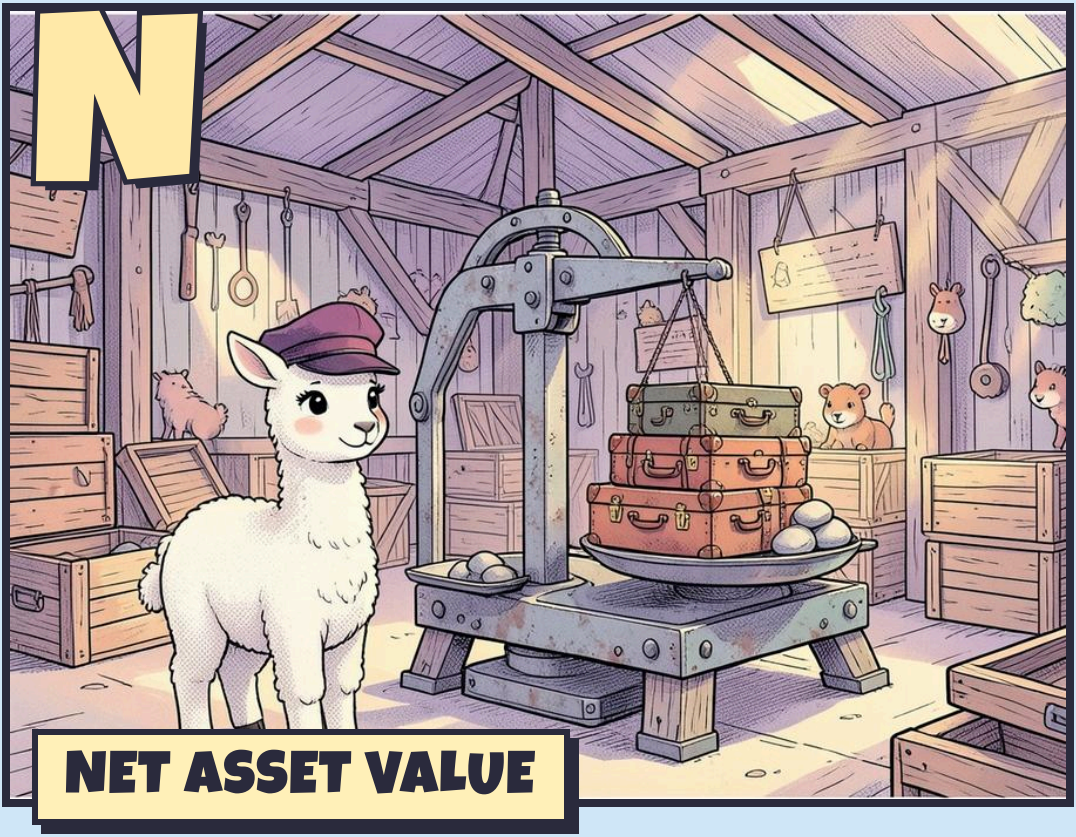
LP-LED SECONDARY

In an LP-led secondary, an investor starts the sale of its own stake. It is the traditional kind of secondary.

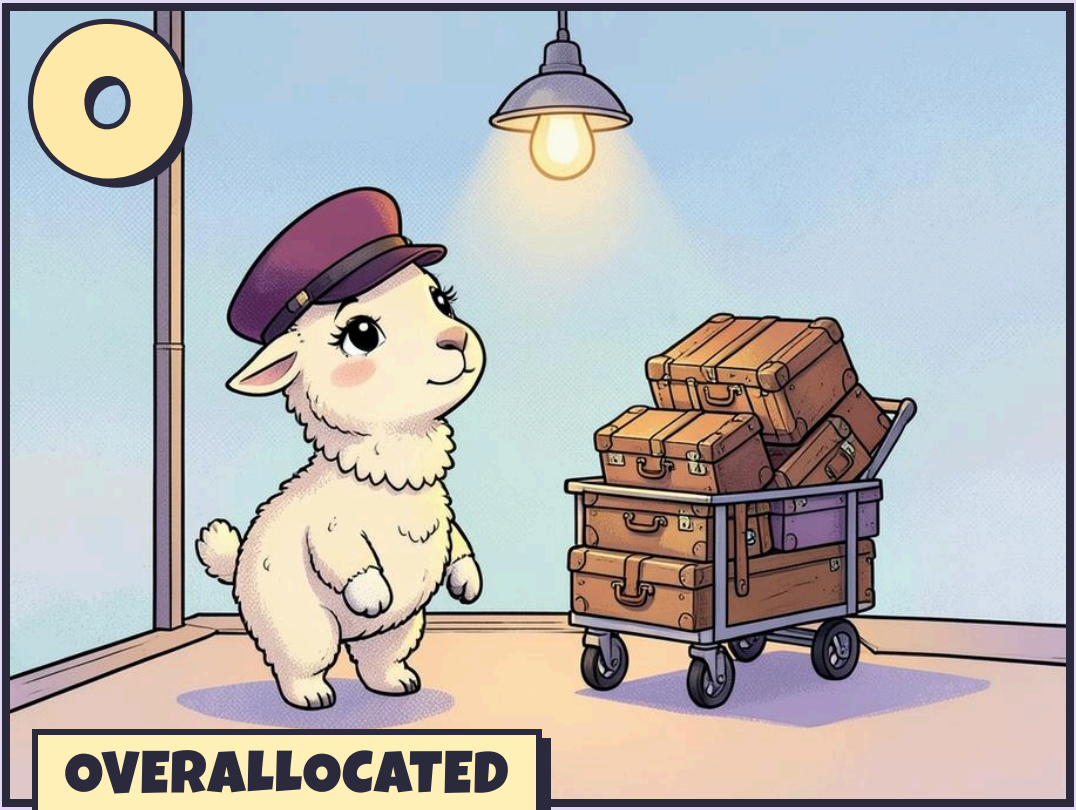


MATURE FUND

A mature fund has mostly finished buying and is looking after what it owns. A buyer can see what is inside before bidding.



Net asset value is what a fund owns minus what it owes, by the fund's latest figures. A buyer's price starts there.



An investor can end up with more in private funds than it planned. That is being overallocated, and it is a common reason to sell.

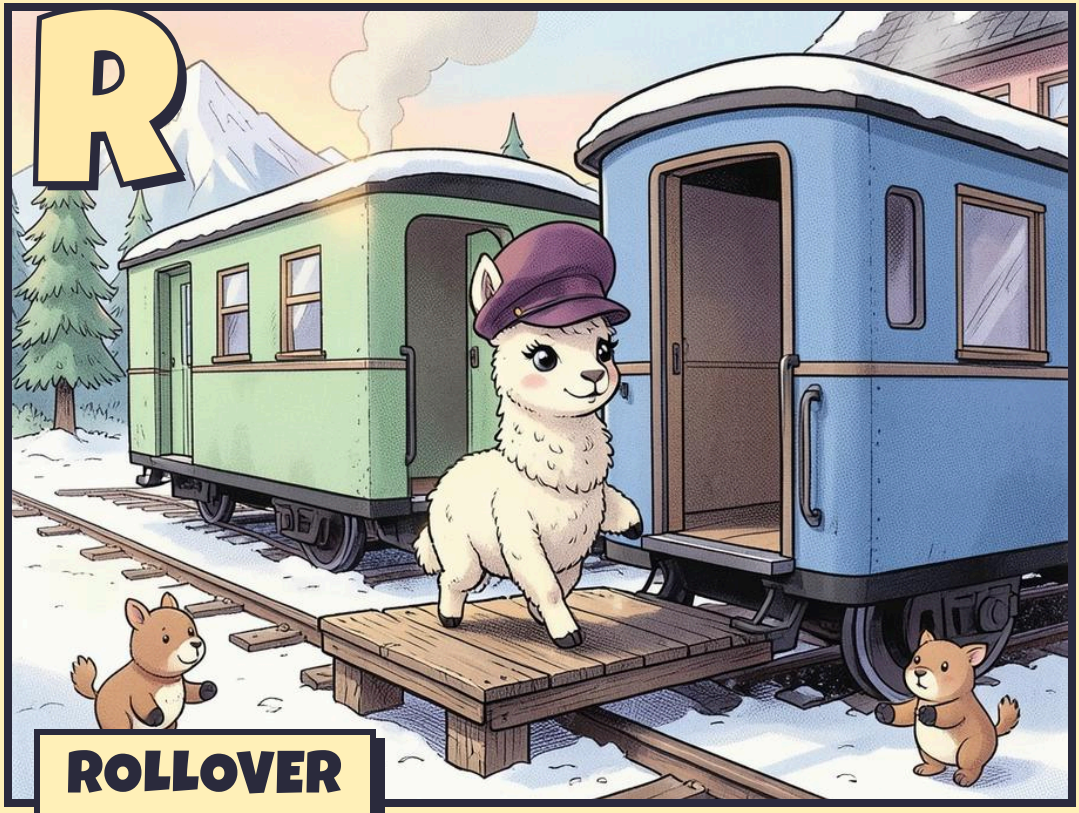


PORTFOLIO SALE

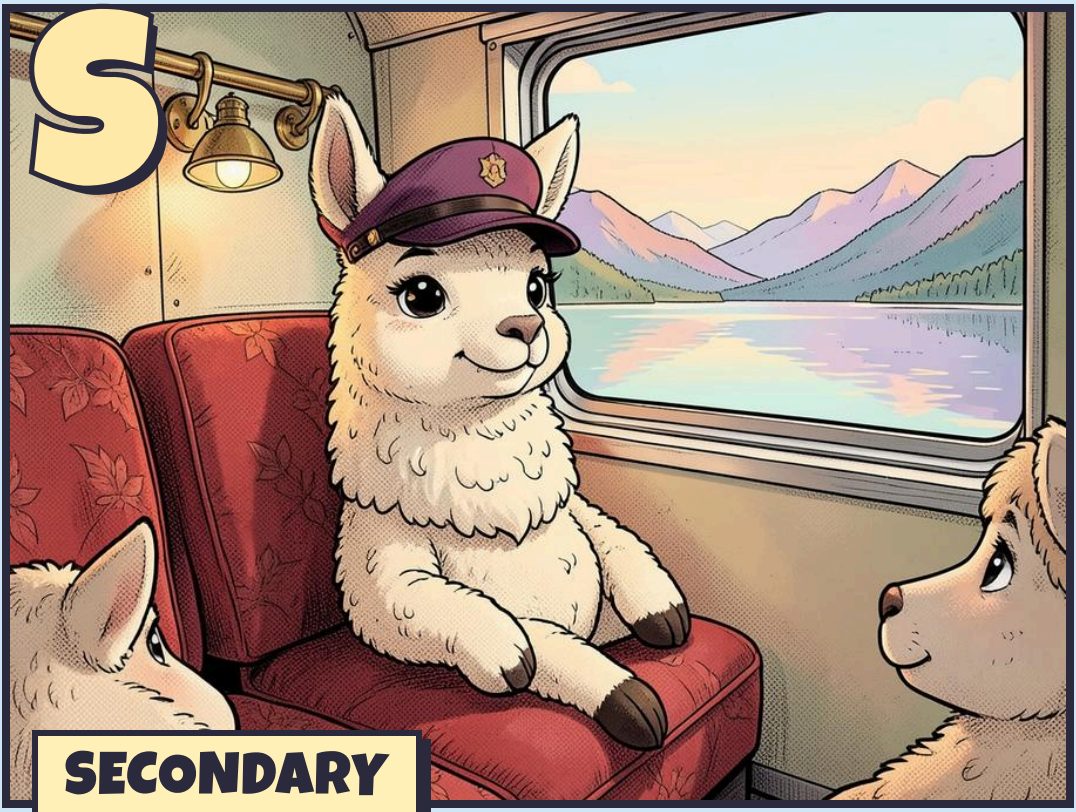
A big investor may sell stakes in many funds at once, rather than one at a time. That is a portfolio sale.



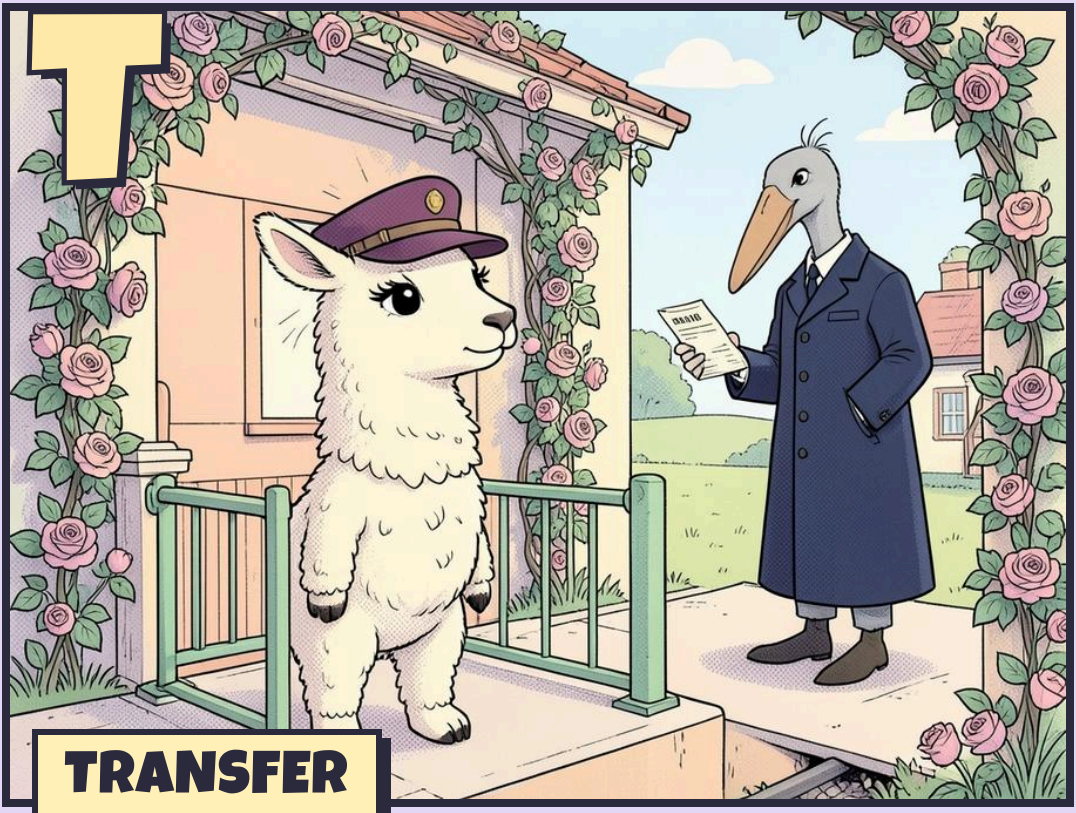
A stake's price is usually set from its value at a recent quarter-end. That date is called the reference date.



In a continuation fund, an investor who stays moves its stake across to the new fund. That is a rollover.



A secondary is the sale of an investment someone already holds. Instead of promising money to a new fund, the buyer takes over an old promise.



A stake cannot simply be handed over. The manager usually has to agree before it can move.

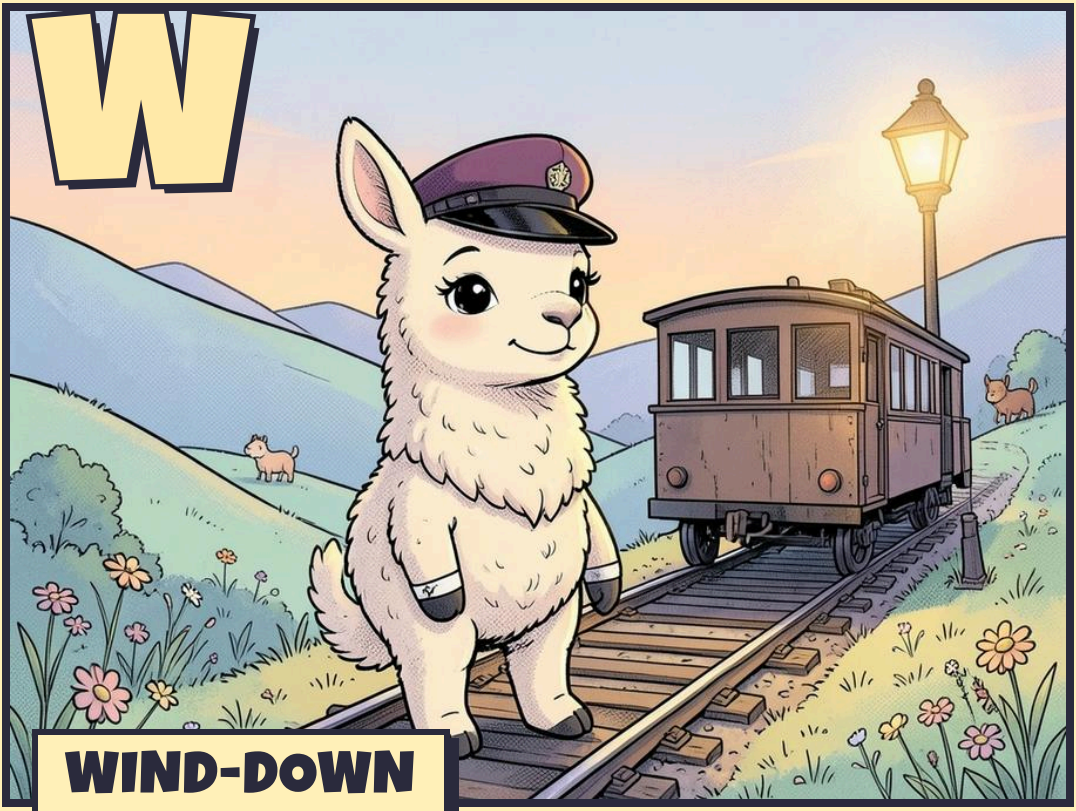


UNFUNDED COMMITMENT

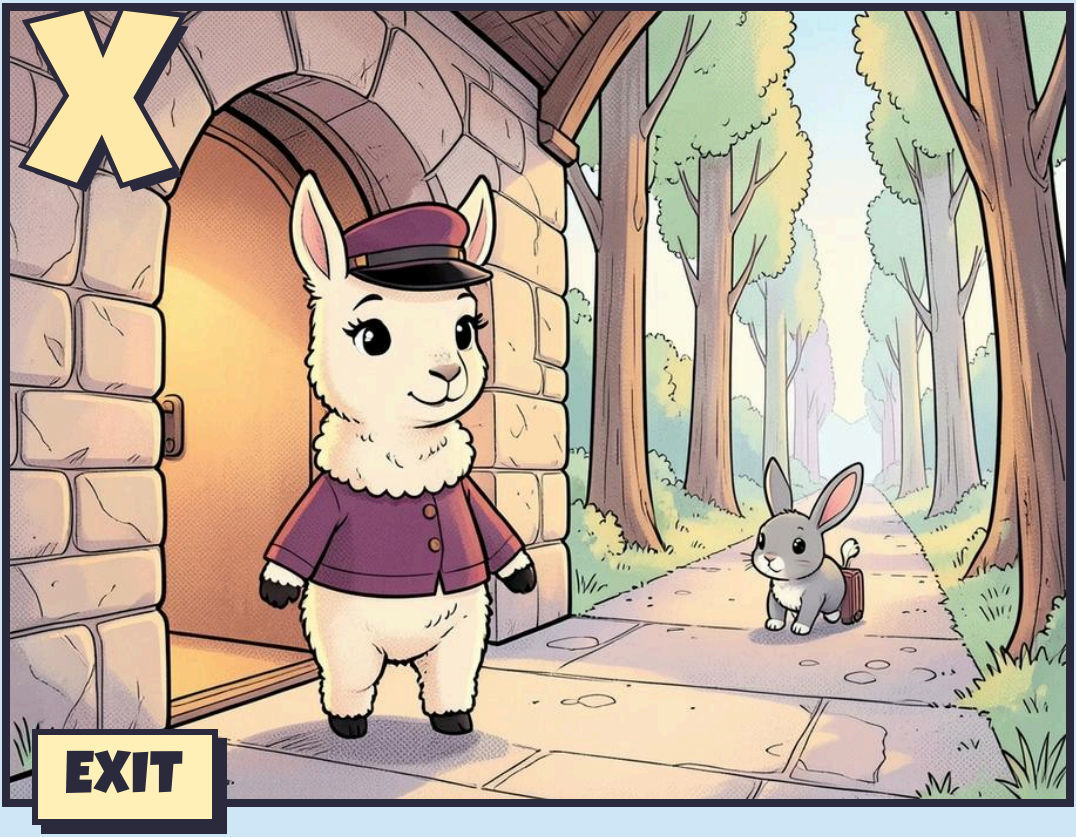
A seller may not yet have paid in all it promised. The buyer takes over that promise and pays the rest when called.



A vintage is the year a fund began. Buying older stakes can spread an investor across many vintages at once.



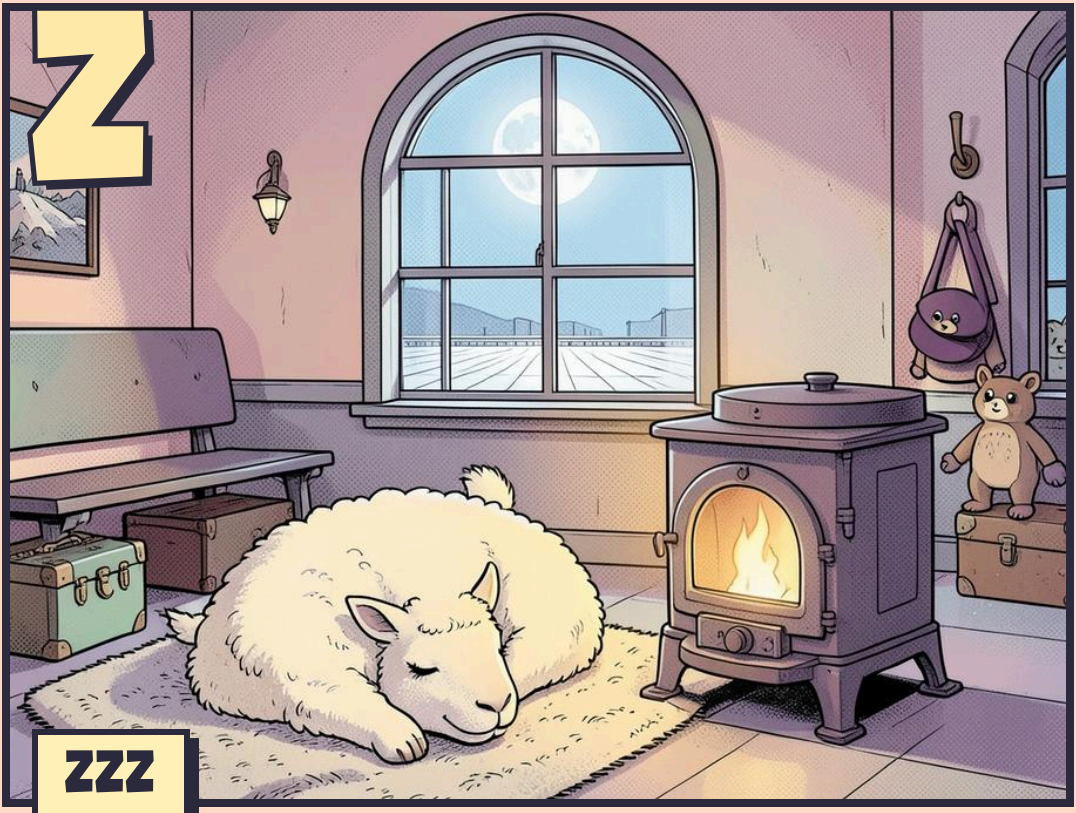
Near the end of its life, a fund winds down, selling the last of what it owns. Buying a stake at that stage is called a tail-end deal.



For the seller, *a* secondary is *an* exit. For the buyer, it is *a* way in. It is the same stake.



A buyer counts the years a fund probably has left. Fewer years can mean a shorter wait for the money to come back.



The last train has gone, and every seat is looked after. Alma lies down by the stove and goes to sleep.



A NOTE

The words in this book are real ones, explained simply. The animals and examples are made up, and real terms vary from fund to fund. It is not advice. The pictures were drawn with an AI image model and checked by hand.

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