Proskauer

# Q&A with Partners Bruno Bertrand-Delfau and Chris Robinson

**September 28, 2022**

Ahead of our conference on October 12, partners Bruno Bertrand-Delfau and Chris Robinson give their insight into the latest trends and topical issues facing the secondaries industry, as they relate to both LP transactions and GP-led processes. Register now to reserve your place.

---

**What have been the biggest factors impacting on LP portfolio transactions in 2022?**

**Bruno Bertrand-Delfau:** "Financial market turmoil is making it hard to price fund interests. Uncertainties in the valuation of portfolios coupled with the impact of inflation and interests rate hike on companies' results, less short term exits for portfolio companies, more expensive debt will also be factors. Discounts to NAVs have sharply increased and many sellers are reluctant to launch processes or approve bids in such conditions. As soon as the market will stabilize I believe that we should see a flurry of LP portfolios being shopped. Denominator effect, scarcity of exits / distributions and need to reup in many top tier GPs in fundraising are going to fuel the market."

**Chris Robinson:** "After a strong first quarter, largely attributable to 2021 tailwinds where the secondaries market experienced record setting growth, activity in the secondaries market has slowed, consistent with an overall decline in public markets and investor confidence.  Historically, pricing in the private markets lag a quarter or two behind public markets so many buyers have temporarily paused to allow valuations to stabilize and distribution activity to pick up as traditional M&A activity normalize.  We expect bid–ask spreads to narrow in the fourth quarter of 2022 as the economic outlook becomes clearer."

**How has growth in GP Led transactions over the last 5 years impacted the LP portfolio market?**

**Bruno Bertrand-Delfau:** “The main impact has been allocation of resources and dry powder on the buy-side as secondary funds have been inundated with continuation funds projects. Many secondary funds deal teams have been unable to dedicate the same time and energy to pursue LP portfolio opportunities. Some players leaning traditionally more towards the LP portfolio business have therefore been able to seize good LP portfolios in 2021. With risk generally increasing in the current political and economic environment and LPs requesting more diversified portfolio, there should now be a good momentum for LP portfolios.”

**Chris Robinson:** “The market volume for GP-led transactions has more than quadrupled over the last five years, accounting for close to 50% of the market in 2021. With that being said, dedicated available capital remains high at an estimated at $227 billion (as of 6/30) so secondary buyers have ample capacity and demand, particularly for diversified LP portfolios.”

**What have been the biggest factors impacting sell side supply and why?**

**Bruno Bertrand-Delfau:** “Financial markets collapsing and continuing high volatility in markets have limited sale volumes in the first part of the year. Hopefully, a denominator effect and search for liquidity to finance new commitments will push volumes up in the run up to year end.”

**Chris Robinson:** “Many sellers are overweight in their private exposure and have sought to bring transactions to market to rebalance their asset allocations. In addition, faster turnarounds from sponsors looking to fundraise and a push to consolidate core GP relationships, have accelerated sell side LP portfolio supply.”

**What have been the biggest factors impacting buy side demand and why?**

**Bruno Bertrand-Delfau:** “Scarcity of human resources and limit of dry powder have certainly restrained activity. More recently, turmoil in the markets , high inflation in nearly all developed economies and resulting interest rates hikes have made valuation and pricing of portfolios uneasy. LPs have been asking for more diversification and less risk and many secondary houses have been reluctant to put forward bids matching sellers’ expectations. Leverage is also not as abundant or as inexpensive as it once was and many big names have started fundraising. Therefore, the global dry powder level should go up sharply in the coming months.”

**Chris Robinson:** "In the first half of 2022, a challenging underwriting environment caused buyers to be highly selective in deploying capital.  Buyers have sought and received extended due diligence periods, hoping to better analyze portfolio company performance in a challenging valuation environment.  While it's expected that buyers will remain disciplined in the near term, several factors should lead to a strong year end supply of new opportunities, including (i) a desire to prudently deploy capital recently raised, (ii) a number of high quality transactions being brought to market, and (iii) new sources of capital, many of which are non-traditional investors looking to join the market."

**What's next for the secondaries market? What are the areas of growth, evolution of techniques, etc?**

**Bruno Bertrand-Delfau:** "Certain sub-segments like infrastructure secondaries are going to grow sharply. Portfolios are also going to continue their growth with potentially 10bn deal value being reached in the coming years. Deals are going to be executed at increased pace to avoid market reversals in an unstable economic environment. Optimal US tax and regulatory capabilities will still be key for a smooth deal execution. More deal structuring may be necessary to make deals possible in the current environment, with a variety of available tools, from deferred price to earn out."

**Chris Robinson:** "Given how healthy buy-side fundraising has been, we expect the secondaries market to continue its growth trajectory.  As a sub-category, real estate and infrastructure transactions, with inflation and recession resistant characteristics will continue to be in high demand with several buyers raising dedicated pools of capital to these strategies."

**Related Professionals**

- **Bruno Bertrand-Delfau**
  Partner
- **Christopher C. Robinson**
  Partner