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## A Bridge from Private Markets to 401(k)s?

By No Author     Sun, Nov 2, 2025

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*Secondaries are to private markets what repo markets once were to banking—a critical but sometimes invisible layer of leverage and liquidity.*

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Those who deal in private market assets know that it can take years for such investments to pay off. And for good reason. It's illiquidity, after all, that delivers the illiquidity premium. But some private market investors inevitably want to drink their wine before its time, so to speak, and cash-out early.

That's where "secondaries" have become increasingly important. Partners—general and limited—in private equity (PE) funds can now find buyers for their stakes without waiting for an initial public offering. And managers of private credit funds (collateralized loan obligations, or CLOs) can now cull loans from their stacks without calling them in.

Secondaries can do more than make PE and CLO stakes more negotiable. They can broaden the appeal of PE and CLO investments. They might also expand the market for them. Could secondaries be the bridge that carries private assets into the defined contribution world? Do secondaries matter to the Bermuda Triangle strategy?

To learn more about secondaries, we turned to ChatGPT. It started by distinguishing between primary investments, secondary investments, and what it called "primary secondaries."

**RIJ:** What are "secondaries," and why all the fuss about them?

**ChatGPT:** "Primary secondaries" sit at the intersection of private-equity mechanics and investment-market evolution. Let's unpack it step by step.

### What "Primary Secondaries" Are

The term comes from private-equity (PE) and private-markets investing:

Primary investments: when a limited partner (LP) — say, a pension fund or endowment — *commits fresh capital* to a new private-equity fund at launch.

Secondary investments: when an investor buys an existing stake in a private-equity fund (or portfolio company) from another LP who wants liquidity before the fund winds down.

Now, a primary secondary (also sometimes called a GP-led continuation fund or a structured secondary depending on context) blurs that line:

It's a new fund (a "primary") created specifically to buy assets out of an existing fund (a "secondary") — often led by the same general partner (GP).

In practice:

- A GP nearing the end of an existing fund's life creates a new vehicle to buy one or several portfolio companies from that old fund.
- Existing LPs can either cash out (selling their interests) or roll over into the new structure.
- New investors (the "primary secondary" capital) come in to finance the transaction.

So: *Primary* because it's a new fundraise. *Secondary* because it's buying existing assets.

### **Why All the Fuss: Market Demand and Liquidity Pressures**

In recent years, private markets have become enormous and illiquid — and LPs need ways to get cash out before waiting 10–12 years for fund wind-downs.

At the same time, funds are taking longer to exit their portfolio companies (IPO and M&A markets are slower).

That combination makes the secondary market for private assets explode — it exceeded \$130 billion in annual volume globally.

Within that, GP-led "primary secondaries" are the fastest-growing sub-segment because:

GPs can hold on to prized assets longer.

LPs get optional liquidity.

New investors get exposure to mature assets (with lower **J-curve** risk) at often discounted valuations.

### **Valuation and transparency concerns**

Critics call them "financial engineering" or "optics games" — because GPs are both buyer and seller, setting prices between two related vehicles.

Hence the fuss: Are these fair-market transactions or a way to sidestep poor exits? Regulators and investors worry about conflicts of interest, valuation transparency, and fee layering (the GP earning new fees on old assets).

### **Structural innovation**

Defenders argue they align interests: LPs can choose liquidity or continued exposure, and great companies aren't sold prematurely just to fit a fund's time horizon. Large institutional investors — Blackstone, Lexington Partners, Ardian, Collier, HarbourVest — now run multibillion-dollar secondary programs; many asset allocators view GP-led deals as a permanent fixture of the PE landscape.

### **Bottom Line**

Primary secondaries are now a key innovation that helps private-equity firms manage liquidity in a high-AUM, low-exit environment.

They're controversial because they blur the boundaries between buyer and seller, fee structures, and investor transparency.

### **Where secondaries enter the Bermuda Triangle**

Although the word secondaries originated in the private-equity context, its logic—creating liquidity, redistributing risk, and recycling assets—now bleeds into the insurance-asset-manager ecosystem in a few ways.

### **Secondary trading of private-credit assets**

Asset managers like Apollo, KKR, and Blackstone increasingly hold illiquid private-credit loans, CLO tranches, or structured securities *inside their insurance portfolios*.

As those assets season, they can be repackaged and sold to other investors — much like a secondary PE transaction — to free up capacity for new origination or to manage duration/risk.

These sales may take the form of secondary transactions in private-credit funds, loan portfolios, or CLO mezzanine tranches.

This *secondary-market recycling* helps maintain yield targets and liquidity within the Bermuda-Triangle loop — allowing the same families of entities to trade with each other or

with outside buyers at current marks.

#### **Secondaries in the fund-of-funds sense**

- The same alternative-asset managers that own insurers often run secondary private-equity or private-credit funds for institutional LPs.
- Those vehicles can *buy stakes* in other private-credit funds — including, at times, portfolios that are similar to or even originated by the manager’s own insurance affiliates.
- Thus, the secondary-fund business provides an exit and valuation mechanism for the illiquid credit/loan portfolios that back insurance liabilities.

#### **Capital recycling / “NAV lending” hybrids\***

Some Bermuda reinsurers and affiliated asset managers now use NAV-based financing (a cousin of secondaries) — borrowing against the net-asset-value of their private-credit portfolios to fund new annuity purchases or asset origination.

In effect, secondaries and NAV finance act as synthetic liquidity valves for the insurance-asset complex, allowing continuous growth without waiting for maturities or sales.

#### **Conceptual fit: Secondaries as the Triangle’s new liquidity layer**

Here’s how the mechanics align conceptually:

So, while the Bermuda Triangle is *not* about PE secondaries per se, the same structural logic applies:

Long-dated, opaque, illiquid assets require an aftermarket — a secondary layer — to keep the system liquid and expandable.

That’s exactly what “secondaries” provide: a way to re-price, recycle, and redistribute exposure without formal liquidation.

#### **The strategic implication**

The Triangle depends on ever-expanding balance-sheet velocity—annuities bringing in fresh liabilities, credit origination supplying assets, and reinsurers freeing capital.

Secondaries markets (private credit, CLOs, fund interests, NAV loans) are becoming the *plumbing* that lets that system keep spinning while appearing stable.

Regulators and rating agencies are watching this closely, because if those secondary valuations ever seize up (say, during a credit crunch), both the liquidity and reported solvency of the system could be tested.

Secondaries are to the modern Bermuda Triangle what repo markets were to pre-2008 banking—a critical but sometimes invisible layer of leverage and liquidity.

\*NAV (Net Asset Value) lending is a form of fund-level financing where loans are secured by the value of a private equity fund's investments rather than the uncalled capital commitments of limited partners (LPs). NAV-based credit facilities provide liquidity to private equity funds by allowing them to borrow against the underlying portfolio. With the growth of private equity as an asset class, the NAV lending market has expanded significantly, with transaction sizes increasing from millions to upwards of \$1 billion in recent years.

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