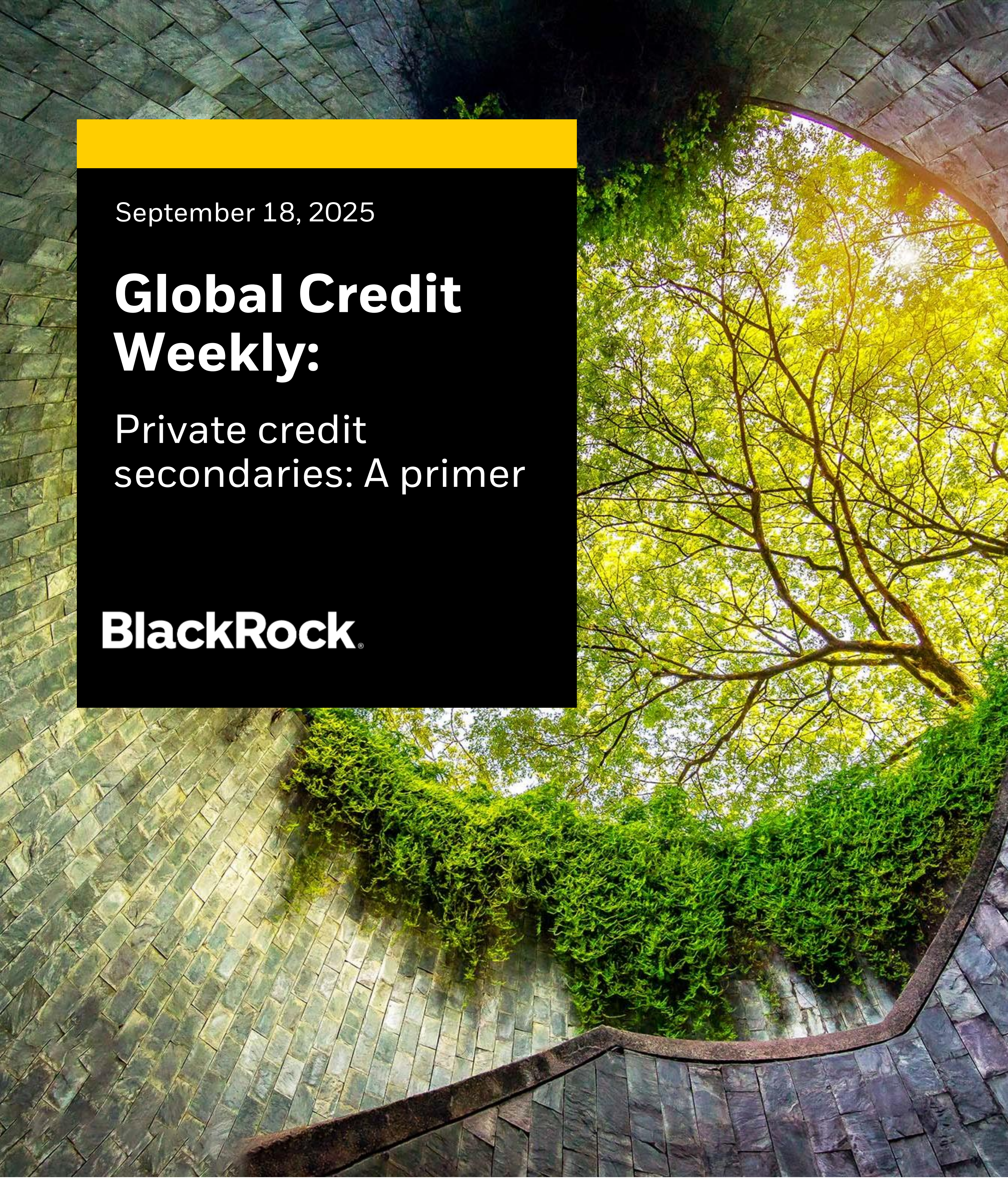

September 18, 2025

Global Credit Weekly:

Private credit secondaries: A primer

BlackRock

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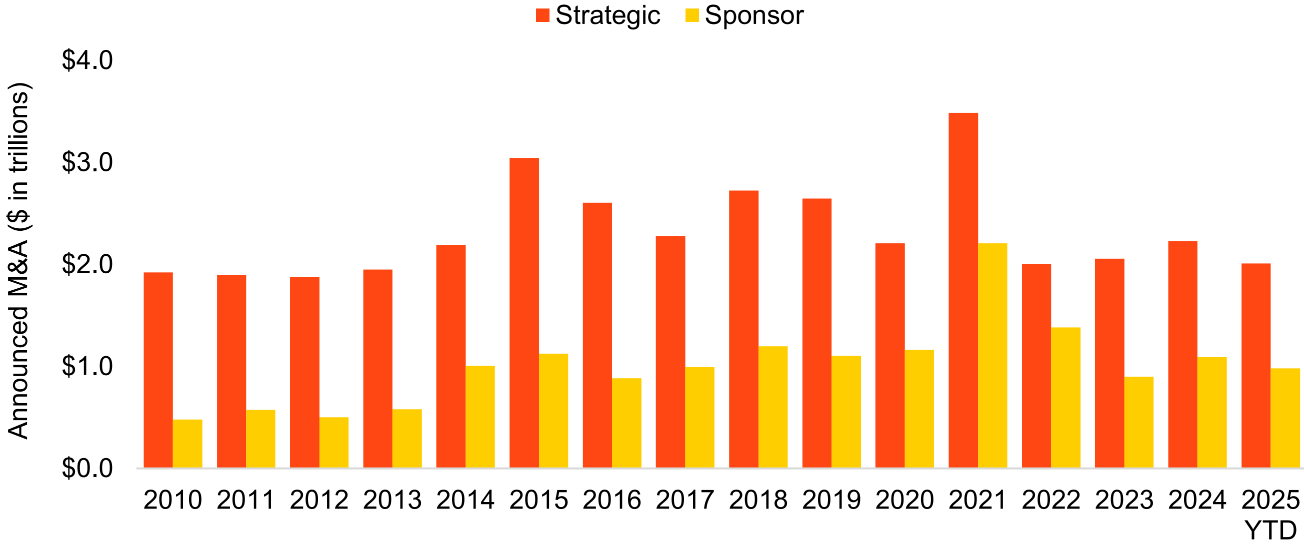
Key takeaways

- Announced strategic M&A volumes (those between corporates) have continued to stage an impressive recovery, while the growth in transactions involving financial sponsors has been relatively more muted (Exhibit 1). This has been driven, in part, by a muted pace of private equity exits (Exhibit 2 and 3). As private equity inventories age (Exhibit 4), secondary funds and continuation vehicles have been used opportunistically to provide flexibility to make portfolio shifts or obtain additional time to realize an investment's value.
- Much of the secondary market is focused on private equity investments. But as the private credit asset class and its investor base continue to expand, the need for transactions to provide liquidity has grown – and so, too, has investor interest in private credit secondaries transactions.
- In this *Global Credit Weekly*, we frame the potential market opportunity size for private credit secondaries. We also discuss a range of frequently asked questions, including: the value it offers to stakeholders, common transaction types, and the implications it has for the broader private credit asset class.
- The private credit secondaries market today is modest, relative to both the private equity secondaries market and private credit AUM. PJT Park Hill, an alternative asset advisor, estimates that private credit secondaries activity grew from $6 billion in 2023 to $15 billion in 2024. Further, they expect transaction volume to surpass $21 billion in 2025 and see scope for it to reach $53 billion by 2030 (Exhibit 6).
- As the asset class becomes more popular, we expect its role in portfolio construction could expand. Indeed, market commentary suggests that deal supply may represent the more meaningful constraint (rather than buyer capital). As such, we see scope for it to continue to grow with a flywheel effect (expansion fuels expansion).

Exhibit 1: The rebound in financial sponsor M&A has lagged strategic transactions
Announced global M&A volumes, by deal type ($ in trillions). Captures deals valued at $100mm or more, at announcement. Excludes cancelled and withdrawn deals.



Source: Dealogic (ION Analytics), BlackRock. 2025 is as of September 9, 2025.

Private credit secondaries: A primer

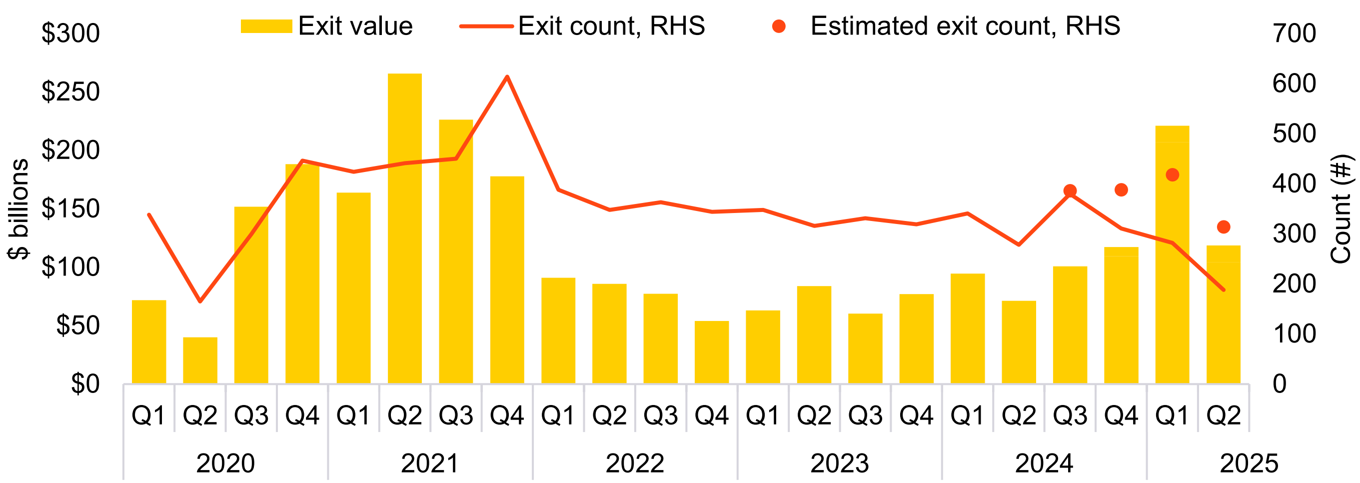
Announced strategic M&A volumes (those between corporates) have continued to stage an impressive recovery, while the growth in transactions involving financial sponsors has been relatively more muted (Exhibit 1). This has been driven, in part, by a muted pace of private equity (PE) exits (Exhibit 2 and 3). As PE inventories age (Exhibit 4), secondary funds and continuation vehicles have been used opportunistically to provide flexibility to make portfolio shifts or obtain additional time to realize an investment's value.

Much of the secondary market is focused on private equity investments. But as the private credit asset class and its investor base continue to expand, the need for transactions to provide liquidity has grown - and so, too, has investor interest in private credit secondaries transactions.

A June 2025 Preqin Investor Survey demonstrates such investor interest in private credit secondaries. Over 40% of the 450 investors surveyed highlighting the strategy as an attractive private credit opportunity, an increase from the year prior, and the second-highest share after asset-backed lending (Exhibit 5).

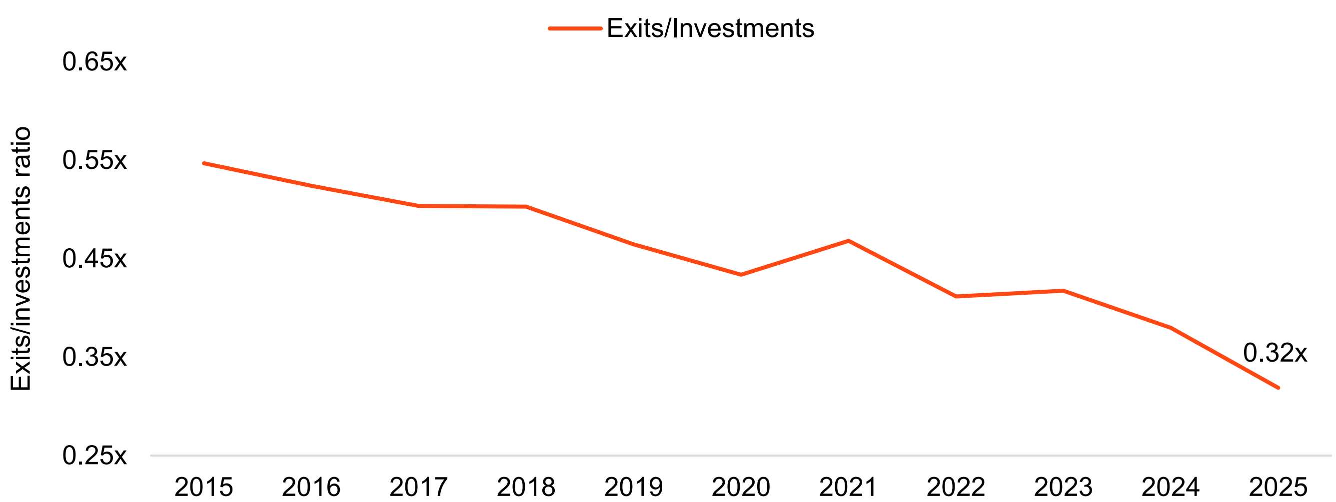
In this *Global Credit Weekly*, we frame the potential market opportunity size for private credit secondaries. We also discuss a range of frequently asked questions, including: the value it offers to stakeholders, common transaction types, and the implications it has for the broader private credit asset class.

Exhibit 2: U.S. private equity exit activity moderated after a strong first quarter
U.S. private equity exit activity by quarter, in billions and by deal count (including estimated deal count for last four quarters), RHS



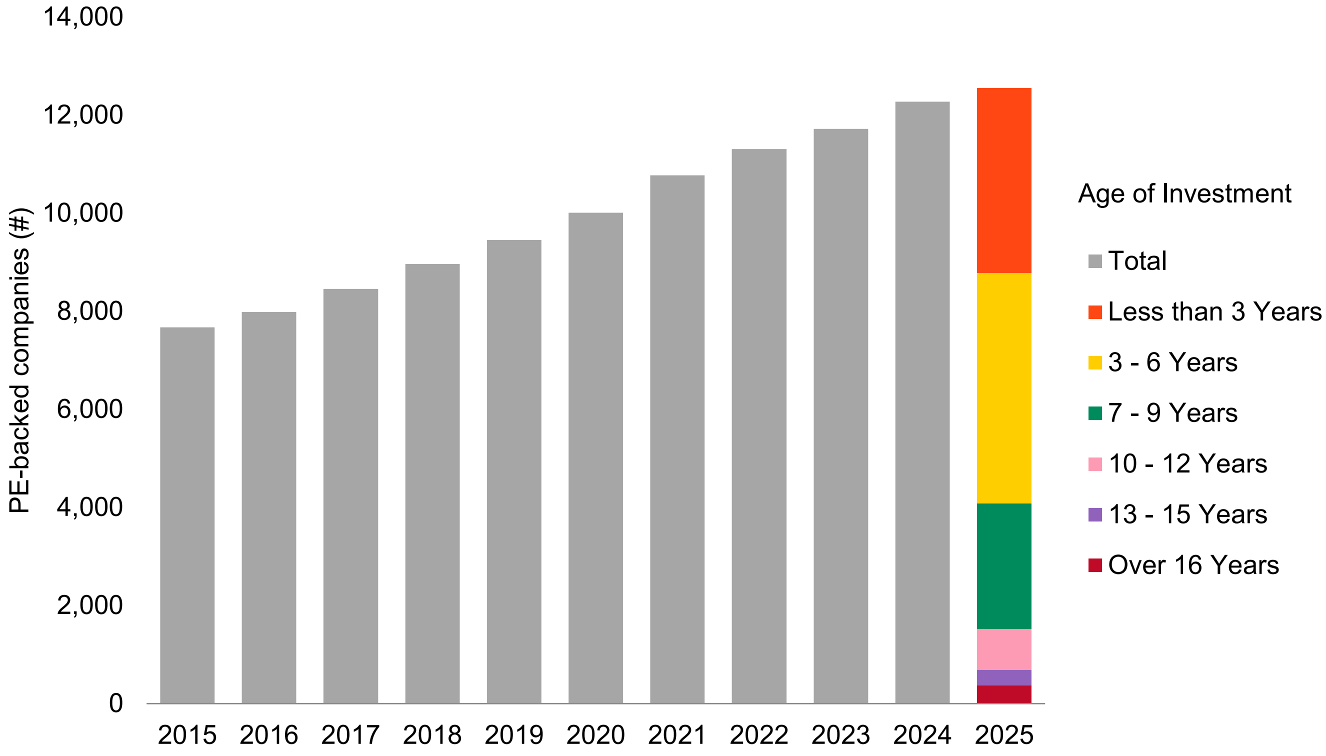
Source: Pitchbook LCD, BlackRock. As of June 30, 2025.

Exhibit 3: U.S. private equity investments have outpaced exits for quite some time…
Count of U.S. PE exits / count of U.S. PE investments



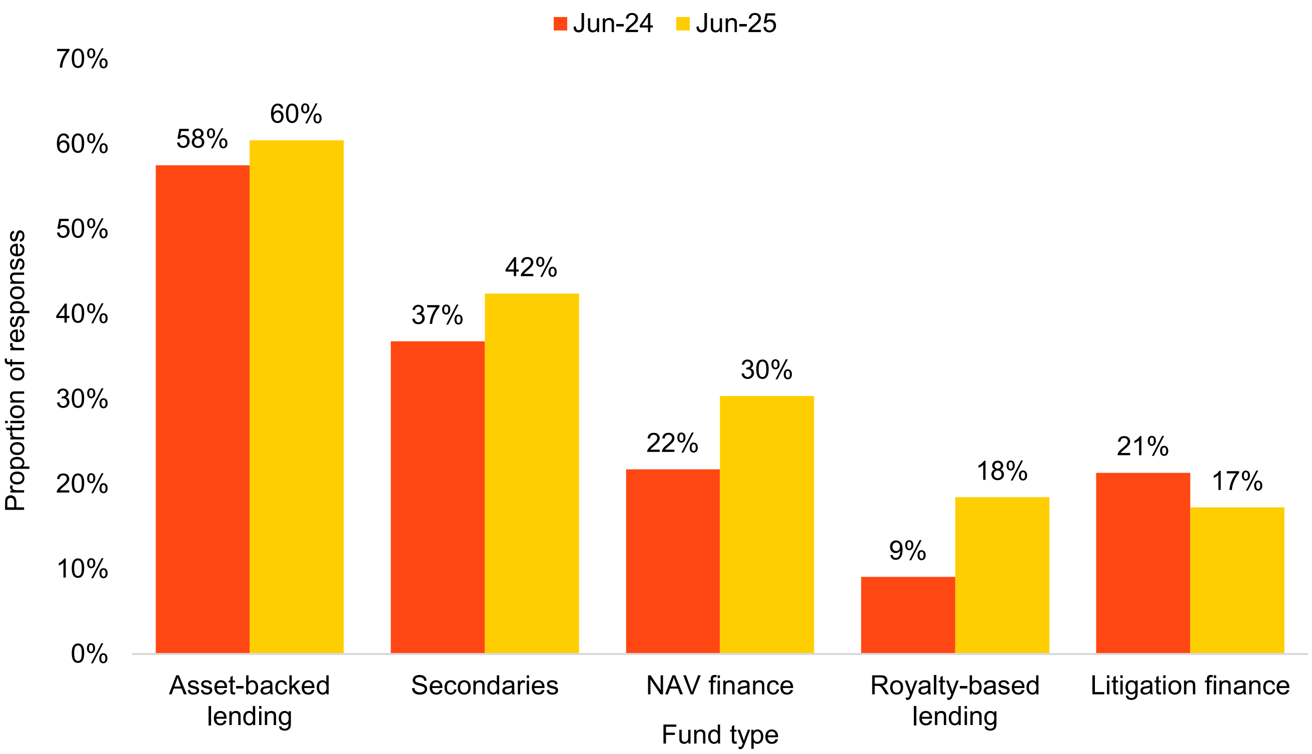
Source: Pitchbook LCD, BlackRock. As of June 30, 2025. Investments do not include add-ons.

Exhibit 4: ...and private equity inventories have aged, as exits remain muted
U.S. private equity-backed company inventory, by deal year



Source: Pitchbook LCD, BlackRock. As of June 30, 2025 (most recent).

Exhibit 5: Private credit secondaries have garnered investor interest
Institutional investors were asked: 'What types of emerging private debt funds do you think will present the best opportunities in the next 12 months?'



Source: Preqin Investor Surveys (June 2024 and 2025), BlackRock.

Framing the size of the private credit secondaries opportunity

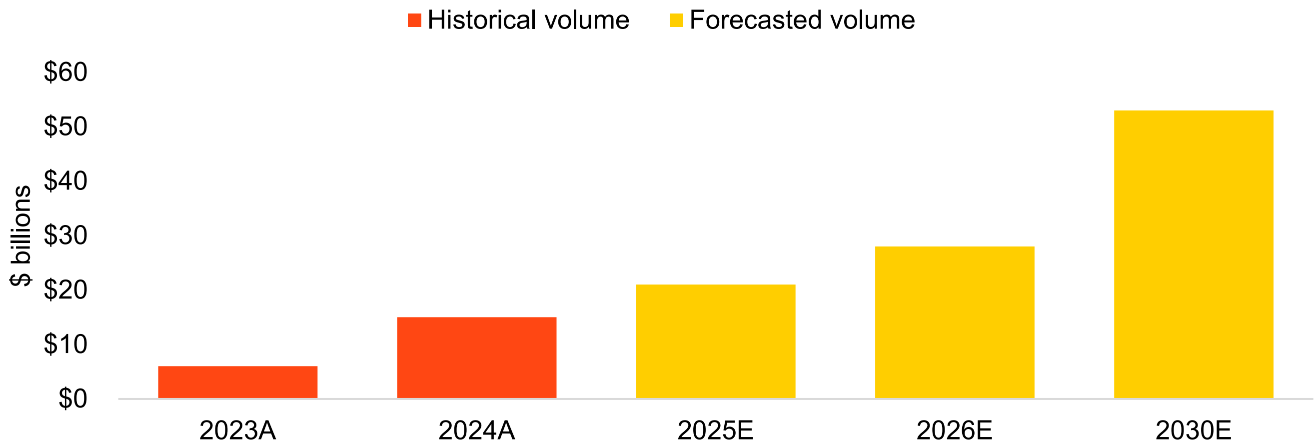
The term "private credit secondaries" is broadly defined as the buying and selling of private credit exposures during their multi-year investment life. These may include, for example, a limited partner's (LP) interest in a private credit fund, or a fund-to-fund transfer initiated by a general partner (GP).

The private credit secondaries market today is modest, relative to both the private equity secondaries market and private credit AUM. To understand the market size, we review estimated transaction volumes in recent years.

PJT Park Hill, an alternative asset advisor, uses market intelligence from its advisory and secondaries market surveys to estimate the current and future transaction volume for private credit secondaries. They estimate that private credit secondaries activity grew from $6 billion in 2023 to $15 billion in 2024. Further, they expect transaction volume to surpass $21 billion in 2025 and see scope for it to reach $53 billion by 2030 (Exhibit 6).

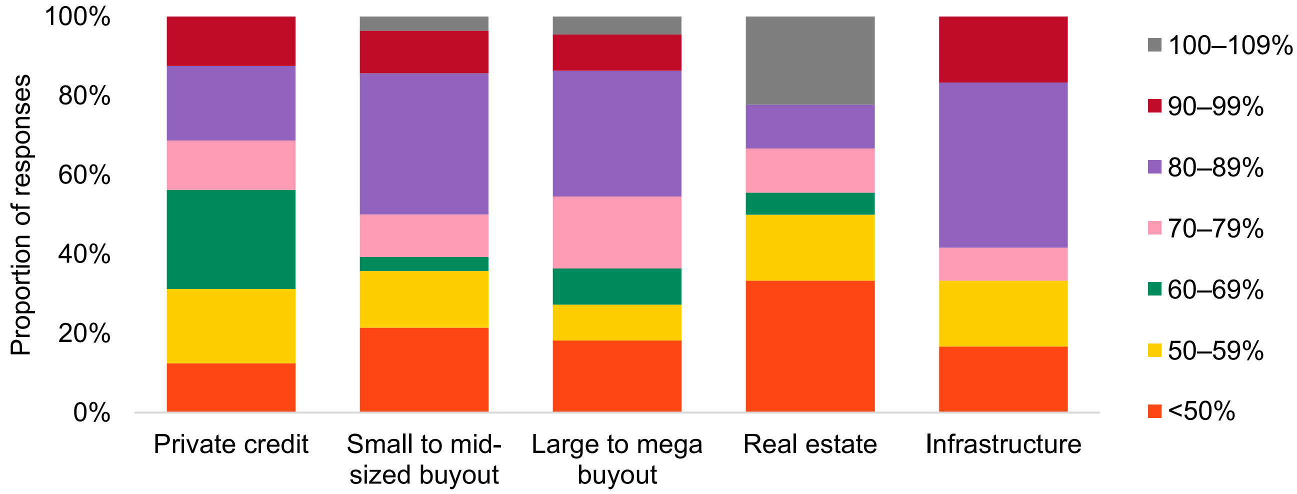
Private credit secondaries have demonstrated the highest growth among secondary segments in 2025 to date, per PJT Park Hill, driven by strength on both the deal (i.e., supply) and buyer/investor (i.e., demand) sides.

Exhibit 6: Credit secondaries volume is estimated to reach $53 billion by 2030
Historical and forecasted volume for credit secondaries



Source: PJT PCS Market Intelligence, BlackRock. Historical and forecasted volumes are based on responses to the 1H2025 PJT Park Hill Secondaries Market Survey.

Exhibit 7: Private credit secondaries captured the most even distribution of valuations
Investors were asked: 'On average, what percentage of fund NAV were the following purchased/sold for, in the last 12 months on the secondary market?'



Source: Preqin Investor Survey, BlackRock. Survey as of November 2024.

Private credit secondaries can be a useful tool for both investors and sellers

For investors

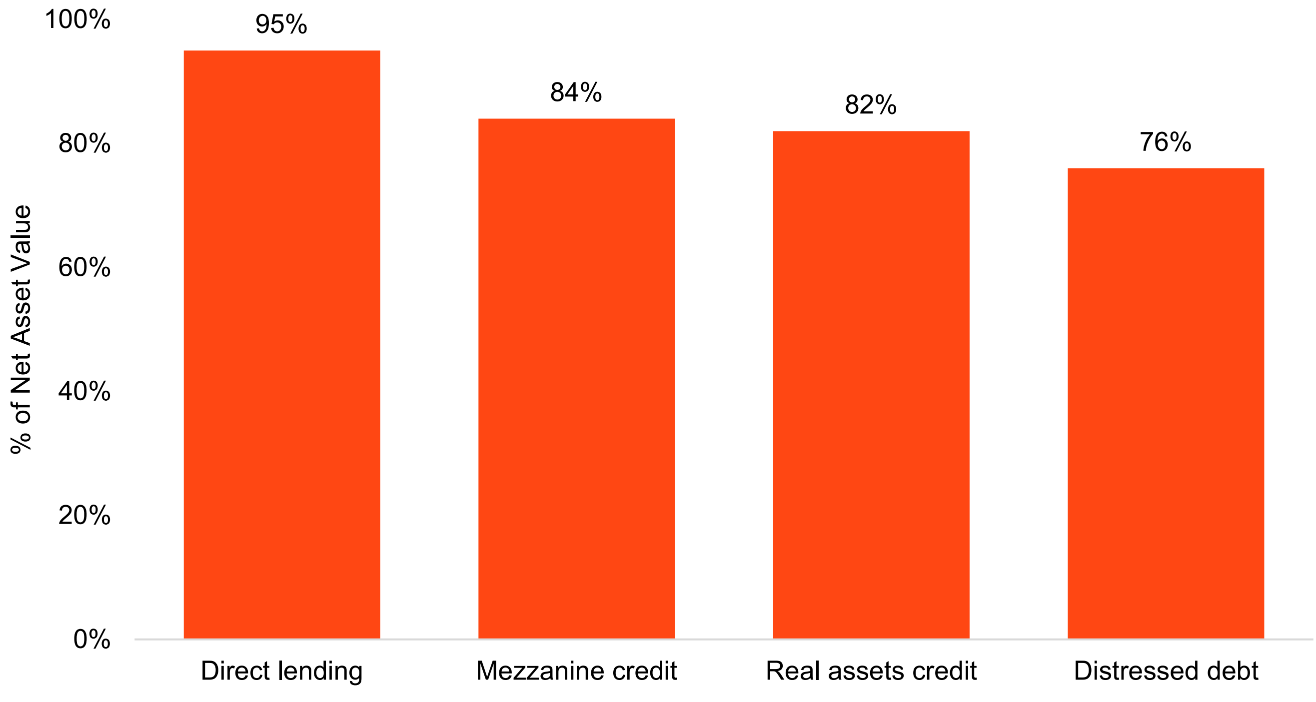
Private credit secondary transactions can be a tool investors use to achieve attractive risk-adjusted returns, with entry price being a key driver. These investments are often acquired at a discount to net asset value (NAV), reflecting factors such as underlying portfolio health, the macroeconomic backdrop, or simply the need to price assets competitively in a less liquid secondary market. Exhibit 7 (previous page) demonstrates the average discount to NAV across secondaries strategies, using survey responses from Preqin's November 2024 Investor Survey (the most recent data available). For private credit secondaries, discounts to NAV are somewhat evenly distributed across categories. That said, no investors noted a price above NAV, reflecting private credit's limited upside above the par value of the loan, in our view.

That said, even within private credit secondaries, there is considerable pricing variation between strategies (Exhibit 8). This, in our view, underscores the importance of nuance in underwriting private credit secondary transactions, based on factors such as portfolio composition and forward-looking cash flow profile, for example.

Private credit secondaries can also allow investors to accelerate deployment into the asset class, while maintaining (or adding) diversification across exposures such as borrowers, geographies, and vintage, for example. By contrast, investing in a closed-end fund during the fundraising period would require some ramping before the fund is fully invested. In this way, secondaries can also offer visibility into the portfolio at the time of investing.

A report from Preqin noted increasing investor enthusiasm for 'diversifying' strategies such as secondaries and fund of funds, in which investors can allocate smaller amounts of capital while still achieving diversification, sometimes even more quickly than building the portfolio themselves.

Exhibit 8: Strong pricing in 1H2025 has been driven by demand for direct lending
Sub-strategy credit pricing as a percentage of the reference date net asset value



Source: PJT PCS Market Intelligence, responses to the 1H 2025 PJT Park Hill Secondaries Market Survey, BlackRock. Captures data from transactions closed during 1H2025.

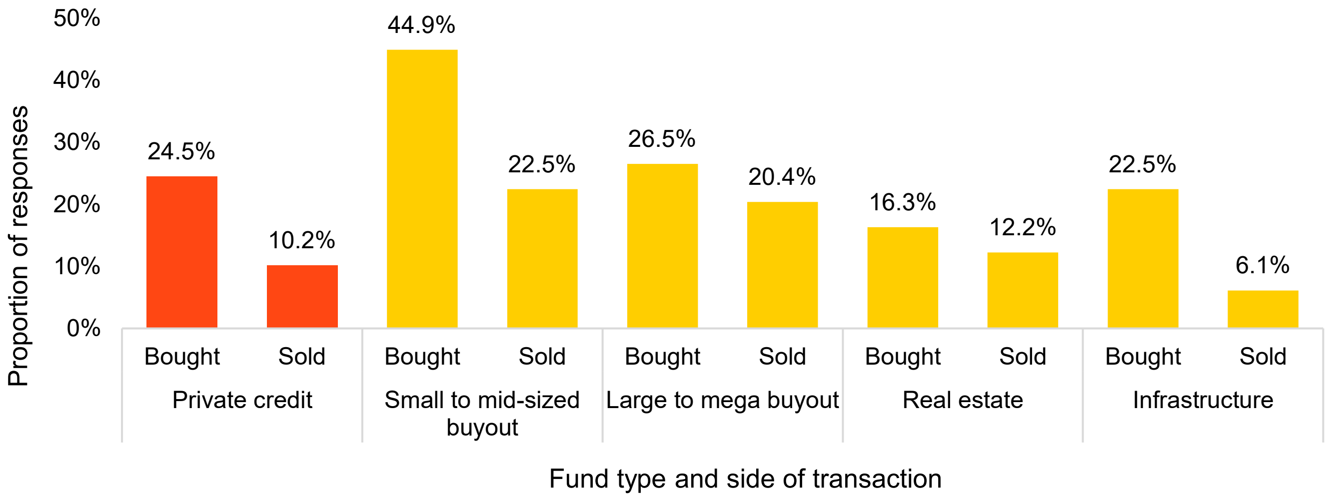
For sellers

The ability to gain liquidity offers sellers flexibility throughout the fund's lifecycle. For example, a seller, especially an LP, may seek to exit a private credit fund interest to balance their broader portfolio allocations. Sales may also provide the seller with the ability to manage a misalignment in timelines between the investment vehicles and the underlying investments, or to achieve strategic goals, such as seeding a new product or instrument. Further, it may allow the GP a means to return capital to investors, so they can recycle it in their next vintage.

The November 2024 Preqin Investor Survey details investor actions in the secondary market over the past 12 months, by asset class. Notably, the share of private credit investors that participated in the private credit secondaries market remains lower than 'small to mid-sized' and 'large to mega' buyout private equity strategies (Exhibit 9). Another takeaway, in our view: investor penetration remains low.

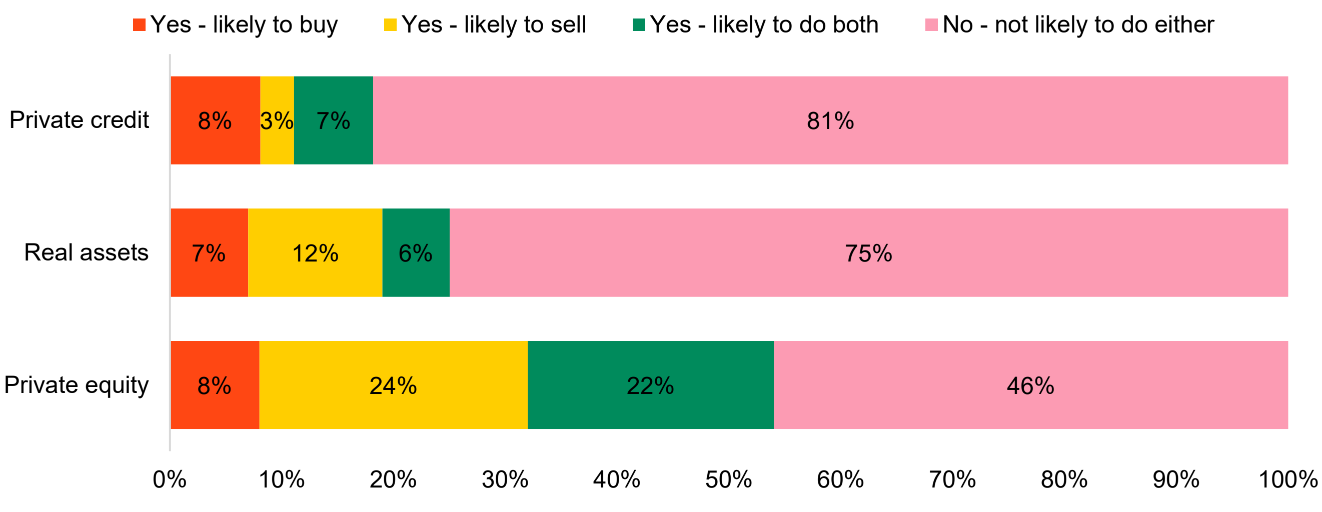
A Coller Capital survey of 110 global private capital investors found a similar takeaway to Preqin's: while some investors are, or expect to be, active, there remains considerable scope for increased participation in private credit secondaries (Exhibit 10).

Exhibit 9: Private credit secondaries participation remains below buyout strategies
Investors were asked: 'What was your role in the secondaries market in the last 12 months?'



Source: Preqin Investor Survey, BlackRock. Survey as of November 2024.

Exhibit 10: Private credit secondaries have room to 'catch up' to other secondary strategies
Survey responses to the question: 'Is your institution likely to buy or sell assets in the secondary market (excluding GP-led processes) in the next two years?'



Source: Coller Capital, BlackRock. Note: Totals may not add up to 100 due to rounding. The survey was published on June 16, 2025, in Coller Capital's Global Private Capital Barometer and captures responses from 110 global private capital investors, representing an aggregate minimum of $1.9 trillion in assets under management.

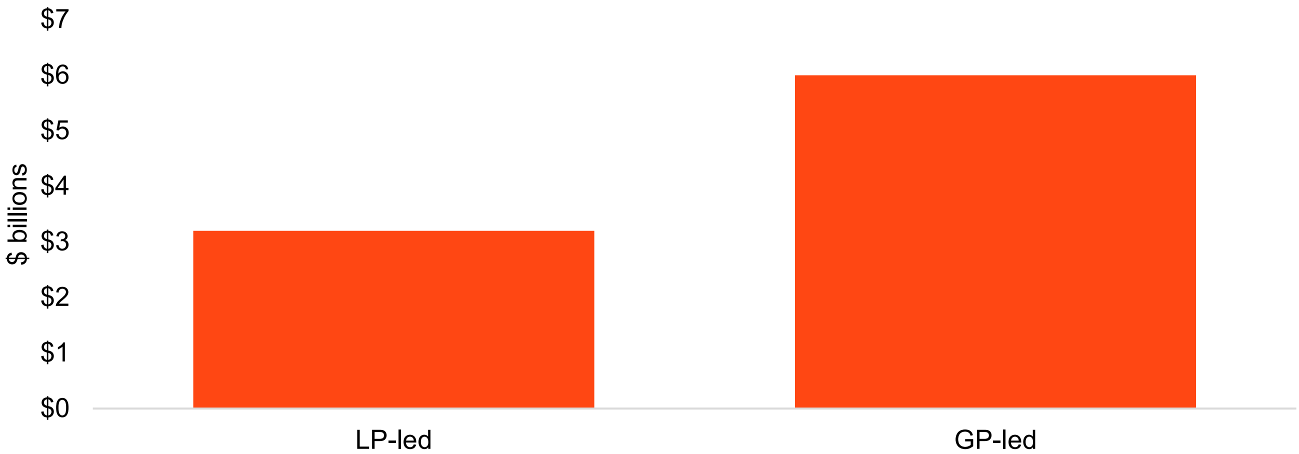
Characterizing common private credit secondaries transactions

There are two 'common' categories of private credit secondaries transactions.

LP-led transactions: LP-led transactions involve buying or selling an interest in a pre-existing private credit fund. These transactions often vary based on characteristics such as the fund stage or strategy. For example, a transaction that occurs in the early years of a fund's life will include a well-diversified portfolio, because the portfolio has not yet begun to realize its positions. By contrast, portfolios in later-stage transactions tend to be more concentrated, because a portion of the loans has already been realized.

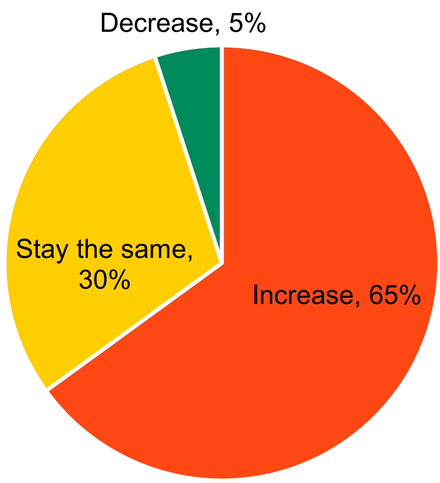
GP-led transactions: GP-led transactions, in our view, capture a wider range of transaction types, including continuation vehicles ("CVs"), strip sales, and tender offers, for example. A GP-led transaction may involve a GP moving assets from an existing investment vehicle into a separate structure to gain additional time or capital for the current investments. While GP-led transactions have historically represented a smaller segment of the private credit secondaries market, this changed in 1H2025. Indeed, GP-led transactions represented roughly two-thirds of private credit secondaries deal volume in 1H2025, per data from Evercore (Exhibit 11). Further, a recent survey from Coller Capital found that 65% of investors expect the volume of private credit GP-led transactions to increase over the next 2-3 years (Exhibit 12).

Exhibit 11: In 1H2025, private credit secondaries volume favored GP-led transactions
Aggregate capital deployed in private credit secondaries in 1H2025, in $ billions



Source: Evercore, BlackRock. As of 1H2025.

Exhibit 12: Investors see scope for private credit GP-led transactions to further increase
Survey responses to the question: How do you expect the volume of private credit GP-led transactions to change over the next 2-3 years?



Source: Coller Capital, BlackRock. Note: Totals may not add up due to rounding. The survey was published on June 16, 2025, in Coller Capital's Global Private Capital Barometer and captures responses from 110 global private capital investors, representing an aggregate minimum of $1.9 trillion in assets under management.

Risk, complexities, and implications for the future of private credit AUM

As with any investment strategy, private credit secondaries have risks that need to be properly underwritten and priced.

Underwriting expertise, both in private credit and in secondaries, is critical to manager success, in our view. As with most assets in private credit, valuations may not be homogeneous across managers, and structures may be complex. As such, these transactions require thorough underwriting and due diligence. Understanding the root cause behind the sale will be a key input to the underwriting process.

Manager alignment is also a critical input to the future performance of assets. Indeed, managers must be appropriately incentivized to continue the performance of the asset even after the transaction has closed.

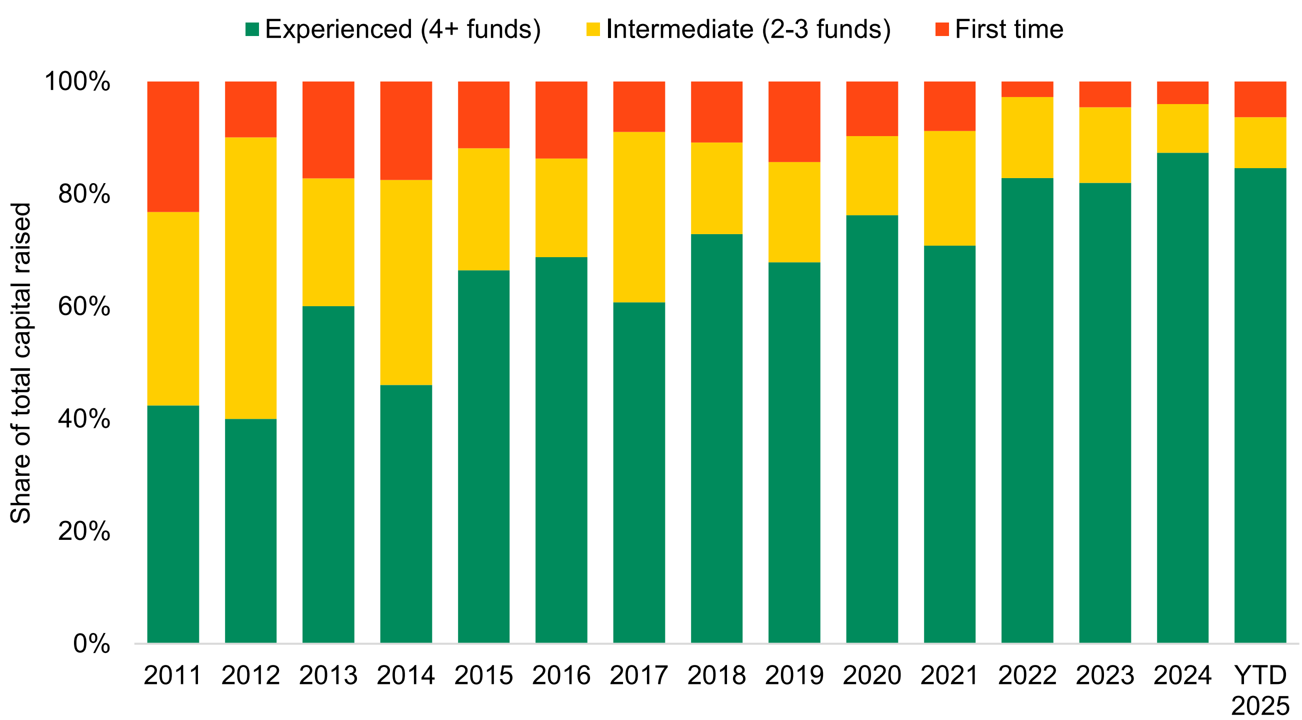
Further, operational complexities, such as fund leverage and cash flow dynamics, will be important to navigate throughout the process.

And finally, exit risk and timing uncertainty are also key considerations. Lenders typically have limited influence on the exit timing for equity holders. As such, there is considerable uncertainty about whether exit timing will happen according to what is planned in the underwriting. A departure from expected exit timing may influence factors that were critical during the underwriting process, such as the internal rate of return.

In our view, these risks will further a trend that has been in place in private credit for quite some time: fundraising volumes favoring more experienced managers (Exhibit 13). We see scope for capabilities such as originations and underwriting expertise to act as barriers to entry, again limiting the ability of first-time or early fund managers to enter the space.

That said, as the asset class becomes more popular, we expect its role in portfolio construction could expand. Indeed, market commentary suggests that deal supply may represent the more meaningful constraint (rather than buyer capital). As such, we see scope for it to continue to grow with a flywheel effect (expansion fuels expansion).

Exhibit 13: Private credit fundraising continues to favor more experienced managers
Share of total private credit capital raised by manager experience



Source: Preqin, BlackRock. YTD 2025 as of August 21, 2025. Captures closed-ended private credit funds.

Unless otherwise stated, all reference to $ are in USD.

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Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.

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