CALDWELL PARTNERS
SECONDARY LIQUIDITY AS A STRATEGY

2026 Midyear Report

Secondary Liquidity Trends for GPs, LPs, and Pre-IPO Private Companies

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Executive Summary

Secondary market liquidity has moved from an occasional tactical fix to a **core design principle** in private markets as longer hold periods, constrained distributions, and fundraising pressure persisted in the first half of 2026.

The strongest exit strategies were not simply those that created one-off liquidity, but those that **institutionalized repeatable processes**, pricing discipline, and governance so that GPs, LPs, and private companies can offer liquidity without undermining long-term value.

For **GPs**, continuation vehicles continued to be a major component of GP-led secondaries. Together with NAV-based loan solutions, they functioned as recurring liquidity strategies that worked best when paired with independent valuation, disciplined asset selection, and strong alignment through GP capital rollover and carry reinvestment.

For **LPs,** secondary sales of fund portfolios, scheduled rebalancing programs, and underwriting frameworks for GP continuation funds - treated liquidity as a managed portfolio variable and became a best practice in the first half of 2026.

For **pre-IPO private companies**, recurring tender offers and controlled secondary programs worked best in the first half of 2026 when run on a predictable cadence, with clear eligibility rules, cap-table governance, and tax and disclosure preparation for employees and legacy shareholders.

Exit Market Context

Private market liquidity conditions in the first half of 2026 were characterized by **extended exit timelines**, **capital overhang**, and **constrained net cash flows**, which have pushed market participants to treat secondary liquidity solutions as a core strategy rather than an opportunistic tool.

We believe that secondaries, continuation vehicles, and evergreen structures are now durable mechanisms for managing liquidity across cycles. In particular, for GPs, continuation vehicles and secondary sales remained key liquidity levers as IPO markets contributed minimally to private-equity-backed exits in in the first half of 2026.

The GP-led market has grown rapidly within this environment. We estimate that GP-led deal volume represented **55%** of the overall secondary market volume in the first half of 2026 and has grown at a 28% CAGR since 2020, with **single-asset continuation** vehicles growing even faster.

This backdrop matters because recurring liquidity is easiest to sustain when it is embedded in lifecycle planning. In a slower-exit world, participants that pre-plan their liquidity channels, governance, and communications can avoid being forced into **value-destructive transactions** during periods of market stress.

1. Strategies for GPs

Continuation Funds

The leading secondary market strategy for GPs continued to be continuation vehicles (CVs) in the fist half of 2026 as it was a repeatable exit-and-extension pathway for high-conviction assets rather than using them as ad hoc rescue financings.

High-quality GPs used CVs as a regular portfolio management tool and have become a meaningful source of liquidity and portfolio management in the absence of traditional exit options.

We believe the best practice is to reserve GP-led processes for assets with a **clear reason to hold longer**: unfinished buy-and-build plans, strong earnings momentum, or a specific strategic inflection that public or M&A markets are not yet pricing efficiently. Deals driven mainly by the need to manufacture DPI or support fundraising are **more vulnerable** to governance criticism and buyer skepticism.

Build Alignment

A **2nd strategy** was to build alignment among secondary buyers and rolling LPs so they could trust the process.

We estimate that the average GP commitment to a continuation vehicle was approximately 11% in the first half of 2026 and that GPs rolled 90% or more of realized carry proceeds in 85% of deals, both of which strengthened alignment.

Increasingly, independent valuations, longer LP review periods, and reinvestment of carried interest served as important tools to mitigate conflict of interest risk in GP-led transactions.

Segment Liquidity Tools

A **3rd strategy** was to **segment liquidity tools** by purpose rather than overusing one structure. The practical stack was: (a) **continuation vehicles** for premium assets, (b) **LP-led solutions** for fund-level optionality, and (c) **NAV-based loan facilities** only where short-duration financing supports value creation rather than masks exit delays.

This portfolio approach helped GPs create recurring liquidity in the first half of 2026 while preserving credibility with existing and prospective LPs.

2. Best Practices for LPs

Strategic Planning for Liquidity

For LPs, the best strategy in the first half of 2026 was to treat liquidity planning as an **ongoing portfolio** construction process rather than a reactive sale decision. Industry sources emphasized that secondary transactions helped investors (a) rebalance portfolios, (b) manage cash-flow needs, and (c) access liquidity **without forcing** premature asset sales.

That implied **three recurring** liquidity practices for LPs.

Sell/Hold/Roll Reports

First, LPs maintained a standing sell/hold/roll framework for GP-led deals that tested each option against portfolio concentration, vintage exposure, denominator effects, and conviction in the underlying asset.

Proactive Secondary Market Activity

Second, LPs used the secondary market proactively for rebalancing **instead of waiting for a liquidity crisis**, because secondary sales have become increasingly common and largely destigmatized portfolio-management tools.

Underwrite GP-led Transactions

Third, LPs underwrote GP-led transactions as both company investments and sponsor-governance exercises, with special focus on **valuation quality**, process fairness, and whether the sponsor has a **credible path** to incremental value creation.

GP Governance Preparation

LPs also benefitted from codifying governance expectations with managers. The most effective expectations included **independent fairness support**, transparent election mechanics, adequate diligence time, and clear disclosure on fees, conflicts, and follow-on capital requirements.

In practice, recurring liquidity worked better for LPs when they negotiated process standards before they needed liquidity.

3. Strategies for Pre-IPO Companies

For pre-IPO private companies, the strongest strategy in the first half of 2026 was to run recurring, **company-controlled tender offers** or secondary windows on a predictable cadence rather than waiting for employee pressure or IPO timing to dictate liquidity.

In private markets with delayed public listings, a structured tender program can relieve pressure on employees and early investors while helping the company retain control over pricing, participant eligibility, and cap-table outcomes.

Adopt Liquidity Strategies into Operations

Increasingly, secondary liquidity practices **became operational** in the first half of 2026. More companies defined who can sell, how much can be sold, who can buy, and what transfer restrictions or board approvals applied before launching the tender window.

The best outcomes occurred when companies provided scenario planning around tax liabilities, robust shareholder communications, and post-sale diversification because tender offers were typically taxable events and often created a sudden concentration of cash for participants.

Scheduled Tenders

A recurring tender program was most effective when it was linked to a **broader capital strategy**. Companies used annual or semiannual windows to support retention, reward long-tenured employees, and create controlled liquidity for legacy holders - **without opening continuous uncontrolled trading**.

This discipline mattered: a **predictable cadence** sends a stronger signal than sporadic, crisis-driven tenders and better prepares the company for eventual IPO readiness or strategic alternatives.

Best Practices for the 2nd Half of 2026

Rules-Based Liquidity Strategies

The most durable recurring-liquidity model for the secondary half of 2026 is **rules-based** built around cadence, transparency, and stakeholder alignment.

Pre-IPO companies should avoid treating liquidity as a standalone transaction and instead design an operating system that defines **when liquidity will be offered**, how pricing will be validated, and which approvals and disclosures are mandatory.

The following framework captures the strongest best practices at mid-year 2026:

Stakeholder	Best recurring strategy	Why it works in 2026	Critical safeguards
GPs	Continuation vehicles and selective GP-led secondaries for top assets	Extends hold periods while generating optional liquidity in a slow-exit market	Independent valuation, carry rollover, meaningful GP commitment, robust LP election process
LPs	Programmatic secondary rebalancing and disciplined roll/sell underwriting	Improves cash-flow management and portfolio construction flexibility	Pre-set portfolio rules, governance standards, concentration and vintage analysis
Pre-IPO companies	Predictable tender offers and controlled secondary windows	Relieves employee and early-investor pressure without ceding control of the cap table	Eligibility rules, tax planning, disclosure discipline, board oversight

Conclusion

Repeatability Programs over Episodic Liquidity

At mid-year 2026, the highest-conviction best practices for GPs, LPs and pre-IPO companies was to manage liquidity as planned and repeatable - instead of episodic processes.

Liquidity programs created the most value when stakeholders knew they would recur, understand the rules, and trust that pricing and governance are fair enough to preserve long-term relationships while delivering near-term optionality.

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About Caldwell Partners

Secondary Liquidity as a Strategy

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