Jasmin capital

Private Markets Advisor

whitepaper

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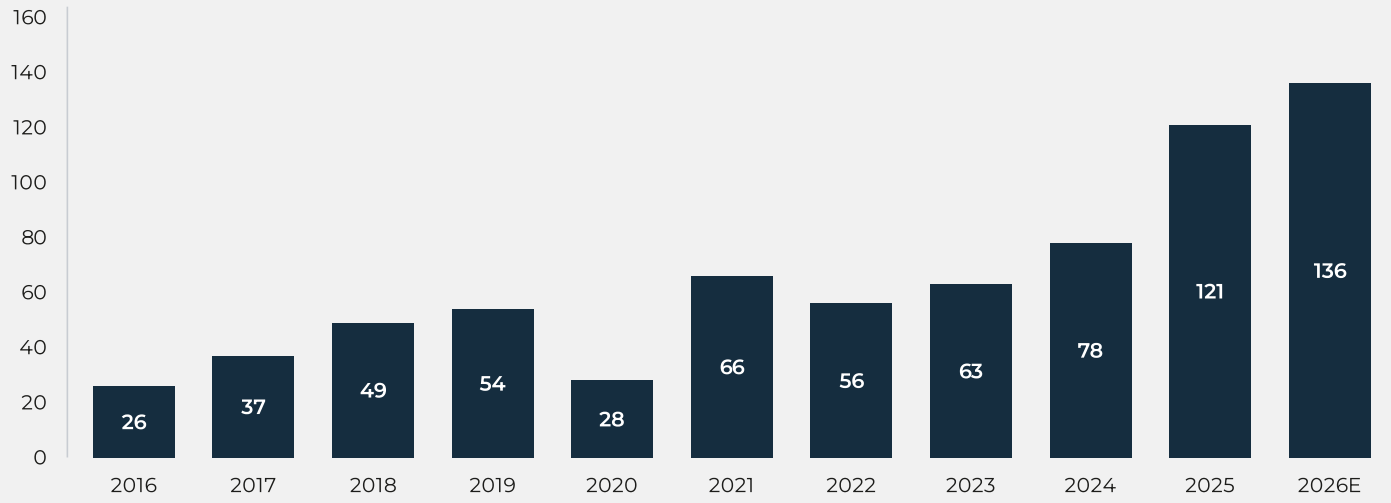
What Are the Best Practices for LPs When Assessing Their Portfolio Ahead of a Sale on the Secondary Market?

The Secondary Market Has Become a Key Tool for LPs Seeking to Actively Manage Their Private Markets Allocation

With **distributions drying up** over the past four years, many LPs, repeat sellers and first-time sellers alike, are turning to the secondary market to **generate liquidity** and **streamline their portfolio**. This active approach is becoming increasingly embedded and is now a tool for managing and steering exposure to alternative assets.

LP-led transaction volumes almost doubled in four years, rising from $66bn in 2021 to $121bn in 2025. This expansion reflects both the growing sophistication of the secondary market and the broader use of LP-led solutions by investors.

LP-led Secondary Market Transaction Volumes ($bn)



Source: Jasmin Capital

Many LPs today manage highly diversified portfolios, sometimes comprising several hundred GP relationships. When considering a secondary sale, **the central question becomes which positions to include in the transaction perimeter**. Why retain one position rather than another? On what criteria? What rationale and methodology should be applied to define a perimeter consistent with liquidity objectives, secondary market dynamics and strategic goals?

Against this backdrop, it is essential for LPs to master best practices in assessing and preparing their portfolio ahead of a sale.

Conduct a Strategic Review of Portfolio Positions to Define an Initial Transaction Scope

The first step is generally to **ring-fence the "core" portfolio**, which is considered strategic and therefore non-transferable. This core portfolio is generally made up of close GP relationships and more recent commitments that reflect the investor's current investment strategy.

Once this is done, the **LP usually establishes a fairly extensive list of positions that could potentially be sold for a variety of reasons**. However, the liquidity targeted through a secondary sale generally represents only a portion of the value of these positions, typically around 20% to 30%. The key challenge is therefore to **select the subset of positions to be included in the secondary transaction**.

This initial review **excludes the positions least suited to the secondary market**, in particular:

- **Funds too early in their lifecycle** (often less than 70% called): except in specific circumstances, secondary buyers generally focus on funds that are at least 70% called, meaning portfolios that are substantially invested and have limited unfunded commitments remaining
- **Funds not yet sufficiently revalued**: although sufficiently drawn, a fund may still be at an early stage of its value creation cycle, with underlying assets remaining in the early phase of the J-curve. Even if secondary buyers were willing to acquire such funds, the LP would risk selling at a price that does not adequately reflect their remaining upside potential
- **Niche sectors and less established GPs**: given the volume of deal flow, secondary investors primarily favor managers they already know and on whose portfolio they have an analytical edge

The LP can then **shortlist certain positions for more relationship-driven reasons**, in particular:

- **No re-up** in successor funds
- **Funds no longer aligned with the current strategy**
- **No "partnership" relationship** with the GP (limited co-investment, limited business relationship, infrequent contact with the team, etc.)

Complement with a Technical, Legal and Operational Review of Sale Conditions to Refine the List

Within this shortlisted portfolio, the analysis continues line by line across a range of criteria in order to arrive at a refined portfolio that matches the liquidity need and the desired rationalization objective.

Assess Fund-Specific Characteristics That Drive Market Attractiveness

The choice of positions to sell should first and foremost be **driven by the investor's objectives**. These may include:

- Maximizing the sale price and **minimizing the discount**
- **Rationalizing** legacy exposures
- **Reducing** the number of **GP relationships**
- **Accelerating** the management of ***tail-end*** positions
- **Reallocating capital** toward new investment opportunities
- **Rebalancing** certain **geographic**, **sector** or **strategy exposures**

In general, funds with **significant remaining value creation potential** and **high-quality underlying assets** are particularly sought after in the secondary market. Conversely, vehicles whose portfolios have already undergone substantial appreciation and offer more limited upside potential are more likely to trade at a discount.

Key assessment criteria include:

- **Internal conviction** regarding the **remaining underlying assets** in the portfolio
- **Performance metrics** (DPI, RVPI, TVPI, IRR) relative to initial targets
- Short- to medium-term **value creation potential**
- **Visibility** on upcoming **liquidity** events
- The **fund's maturity** and position in the investment cycle
- **Operational outlook** of the underlying companies

This analysis helps identify the positions offering the most attractive trade-off between future appreciation potential and immediate monetization opportunities.

Manager Quality and Attractiveness Are Generally the Primary Factor

The **manager's reputation**, **track record** and **breadth of its LP base** are among the key determinants of a fund interest's attractiveness in the secondary market. The more established the manager, the wider the universe of potential buyers, which fuels **competition among investors** and helps to **support bidding, optimize the sale price** and **limit the discount**.

An ongoing or forthcoming fundraising process by the GP can also increase buyer interest. **Many investors** assess a **secondary opportunity** alongside a potential **primary** commitment to the successor fund, which often accelerates due diligence and facilitates decision-making.

That said, selling exposures in **emerging managers** or **managers with a more limited track record remains entirely feasible**, particularly when the objective is to rationalize certain relationships or simplify the portfolio. Such assets generally attract a narrower pool of buyers and may trade at steeper discounts.

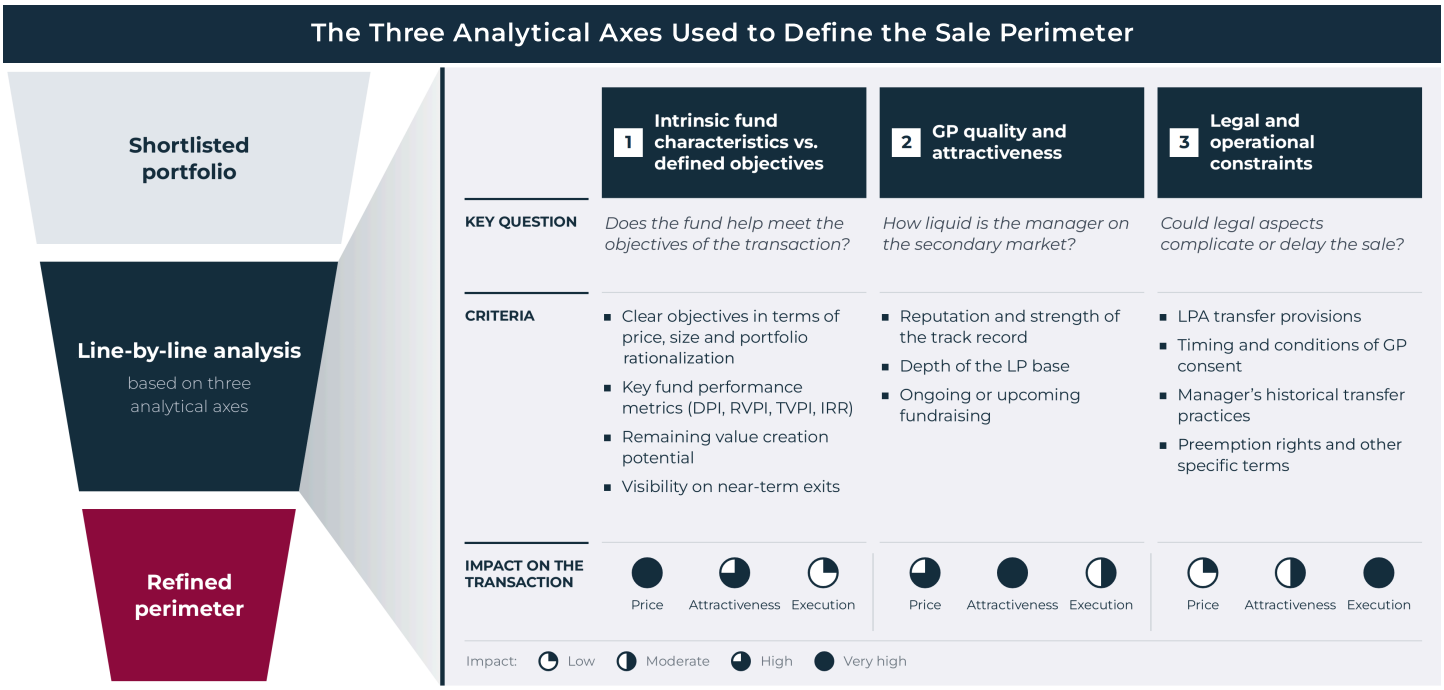
Anticipate Legal and Operational Constraints

A preliminary legal review is **strongly recommended** to identify any potential **transferability constraints** at an early stage and **reduce execution risk**.

Key areas of focus include:

- **Transfer provisions** set out in the fund documentation
- **Timing** and **conditions** for obtaining GP consent
- The **manager's historical practices** with regard to transfers
- Any **preemption rights**
- Any other **specific provisions** in the LPA

Such a review enables investors to quickly identify the most transferable assets, better anticipate transaction timelines, and improve overall execution certainty throughout the sale process.



Source: Jasmin Capital

Finalize with a Review of the Underlying Assets to Ensure Alignment between Pricing Expectations and Portfolio Quality

Once these factors have been taken into account, the **perimeter of the secondary transaction naturally takes shape**. The analysis should nevertheless be **complemented by a bottom-up review of the portfolio's underlying assets**, **assessed on an asset-by-asset basis**. This exercise generally enables the identification of the portfolio's key value drivers, with approximately fifteen assets often accounting for 30% to 50% of NAV, or even more. These assets will generally be the primary focus of investors' due diligence efforts. An **in-depth review of these main assets** should therefore be carried out to ensure that valuation expectations remain consistent with current market conditions. Such analysis requires a detailed understanding of each investment and should include an assessment of, among other factors:

- The company's **industry**, **business model**, and **competitive positioning**
- The GP's **ownership** stake
- The **asset's weight** within the fund's fair market value
- The **valuation methodology** applied and the corresponding implied MOIC
- **Key financials** (revenue growth, EBITDA margin and leverage)
- Visibility on the **exit horizon** and the **expected exit multiple**

The other portfolio assets are also analyzed, but at a **lower level of granularity**, as their contribution to the overall value of the portfolio is generally less significant.

The key elements that will determine the transaction price revolve around several core questions:

- What are the portfolio's **key value drivers** on a look-through basis? Is value concentrated in a small number of assets or broadly diversified?
- What **exits are expected over the short, medium and long term**, and what **DPI modeling** follows for the portfolio?
- How **robust** is the **current valuation** (NAV)?
- What **residual value creation potential** remains within the portfolio?

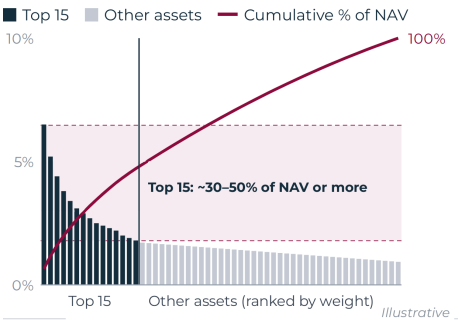
Summary of the Underlying Asset Review for the Portfolio Selected for the Secondary Transaction

1 · What are the portfolio's value drivers?
Value concentration

2 · In-depth review of value drivers
Consistent asset-by-asset framework

3 · Key determinants of transaction pricing
Underwriting fundamentals

ASSET WEIGHT IN PORTFOLIO NAV



Top 15: in-depth buyer due diligence

Other assets: lighter due diligence, based on statistical data

DATA COLLECTED PER ASSET

Profile	Sector, business model, positioning
Ownership	% held by the manager
Weight	Share of the fund's FMV
Valuation	Methodology and implied MOIC
Financials	Revenue trend, growth, EBITDA margin, leverage
Exit	Visibility and expected exit multiple

KEY UNDERWRITING FACTORS

1. **Value drivers**
   Is the portfolio concentrated in a few holdings?
2. **Exits and DPI**
   What short-, medium- and long-term exits, and what DPI modeling?
3. **NAV robustness**
   Is the current valuation robust?
4. **Value creation potential**
   Do the underlying assets offer significant value creation potential?

The greater the visibility on the underlying assets, the more the buyer can **reduce its discount**.

Source: Jasmin Capital

How Jasmin Capital Supports LPs

Jasmin Capital delivers bespoke solutions to LPs including pro bono portfolio reviews, in-depth analyses, and go-to-market strategies tailored to their objectives, with the aim of maximizing transaction outcomes.

Our Advisory team, composed of **10 professionals**, provides end-to-end support throughout the divestment process for **portfolios of €5m to €200m**:

- Strategic assessment and detailed portfolio review to develop a sale strategy aligned with the LP's objectives
- Pre-marketing with selected investors to assess market appetite and refine the transaction perimeter
- Organization and management of a competitive process involving a broad universe of buyers, including both established players and more specialized investors
- End-to-end support through signing and transfer completion, in coordination with legal advisors and other relevant stakeholders

Drawing on its in-depth knowledge of the secondary market, Jasmin Capital helps LPs maximize sale terms while ensuring that the transaction fully meets their strategic, financial and operational objectives.

About Jasmin Capital

Founded in 2011, Jasmin Capital is an independent advisory firm specializing in private markets. The firm operates across five core areas of expertise: Fund Placement, Secondary Advisory (GP-led and LP-led), Strategic Advisory for GPs, Advisory for Institutional Investors & Family Offices and Co-investment Syndication.

Since inception, Jasmin Capital has supported over 50 fundraisings in Private Equity, Private Debt, and Infrastructure, and advises on 15 to 25 secondary transactions each year.

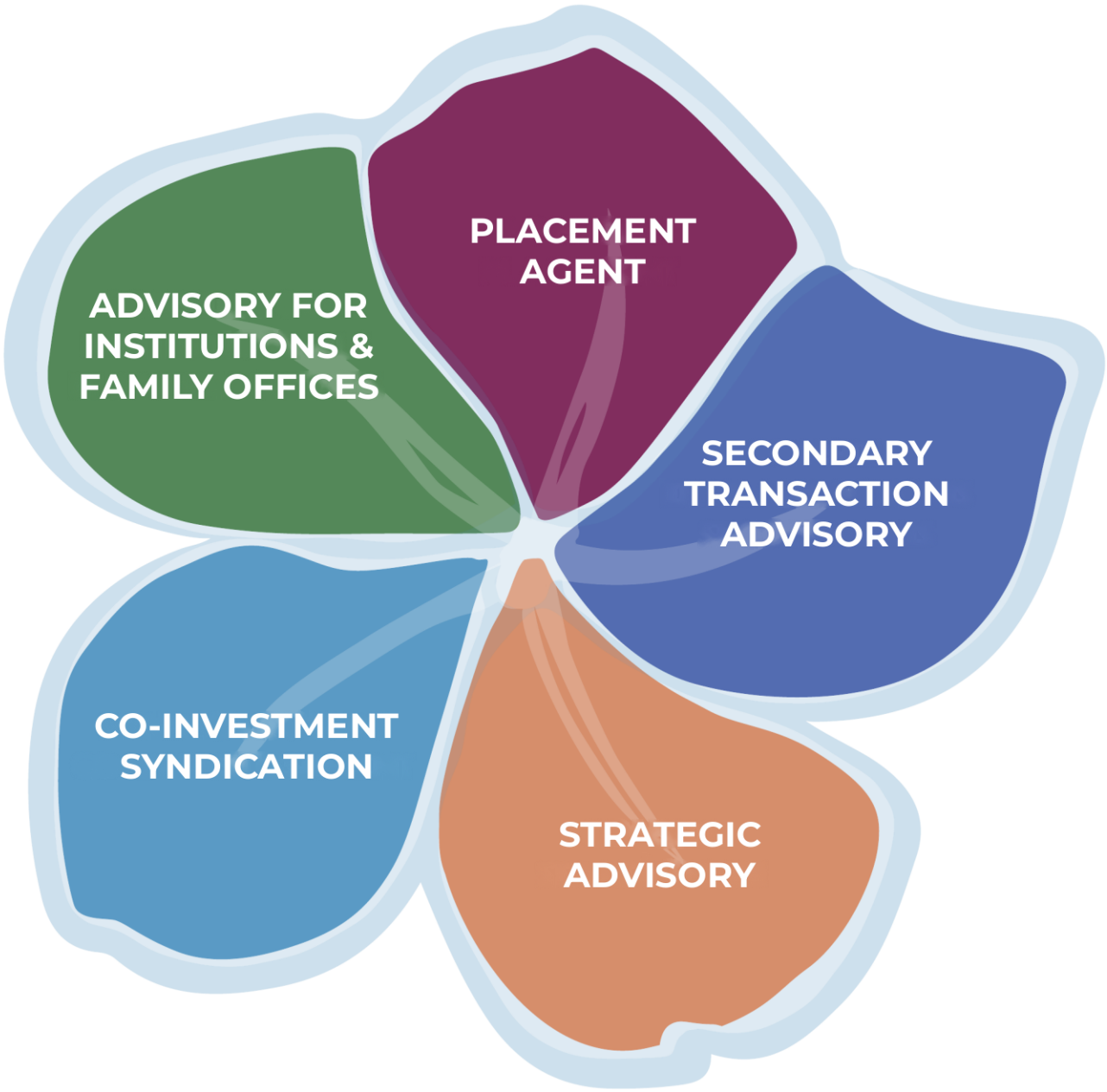
Jasmin Capital's team comprises 20 professionals representing 7 nationalities and benefits from a broad and active network of LPs and GPs across Europe, the Americas, Asia, and the Middle East.

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