XPS Group

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Investment Briefing

XPS guide to selling on the secondary market

Tips to navigate a private market transaction successfully

We are seeing a proliferation of pension scheme activity on the secondary market. Increased need for liquidity resulting from the 2022 gilts crisis, combined with better funding levels and associated de-risking is driving more defined benefit pension schemes to sell private market assets. On the other side of the trade, government support for pension investment in private markets, combined with schemes looking to take advantage of attractive pricing, has led to increased activity on the buy-side.

The process of selling private market assets is fundamentally different to selling other more liquid assets, and there are several aspects that can disrupt a trade if not anticipated and mitigated. In this guide, we explain the key phases of a secondary market trade and highlight four areas where being on the front foot will result in a smooth and successful transaction.

The anatomy of a transaction: 3 key phases

The process of buying or selling on the secondary market consists of 3 main stages with key actions outlined below:

1	Pre-marketing and marketing of the asset for sale	2	Non-binding offers	3	Legal negotiations and closing
✓	Check the notice period required for a transfer of asset	✓	Take time to fully understand the offer(s) in place	✓	Understand the documentation required and underlying detail
✓	Draft required NDAs as soon as possible in the process	✓	Ensure offers are compared on a like-for like basis	✓	Identify any tax or legal matters to resolve as soon as possible
✓	Check if a right of first refusal exists	✓	Consider seeking third party advice for insight on the pricing and valuation	✓	Set clear deadlines and responsibilities for the documentation



While trading illiquid assets on the secondary market may seem daunting, especially for first-time investors, it doesn't have to be.
With a clear understanding of common pitfalls and guidance from experienced advisors, investors can navigate the process confidently and achieve their trade objectives.

James Kidd
Head of Xchange

Phase 1: Pre-marketing and marketing of the asset for sale

This phase involves potential buyers being alerted to the upcoming asset for sale. The seller will typically look to their adviser or broker to manage this process, marketing the asset via their contact networks.

Interested parties will seek additional information about the fund being sold and will consider how the fund aligns with their objectives and wider portfolio. Where necessary, parties will undertake various layers of due diligence review. If the buyer is already an investor in the fund, this analysis may not be necessary, which can meaningfully speed up the decision-making process.

Tip: Establish Non-Disclosure Agreements early on

The sale of private market assets can often involve information being exchanged which is sensitive and not in the public domain. A non-disclosure agreement, ('NDA') is a routine and effective mechanism for safeguarding confidential information regarding the asset for sale.

Typically, multiple NDAs are required in a secondary market transaction given the number of different participants. The two most common relationships where an NDA is used are:

- ✓ **between the seller and an intermediary, and**
- ✓ **between the intermediary and the prospective buyer.**

NDAs can also exist between the prospective buyer and the General Partner, who operates the fund.

Why can NDAs present a challenge?
Several parties need to agree the NDA, which can take time as terms are negotiated. Improper drafting or lack of awareness of certain terms can lead to excessive delays and risks. It is also worth noting that enforcing NDAs, even where they have been correctly worded, is not straightforward and can often be challenging.

How to get it right?
NDAs should be drafted as early as possible in the process. The relevant parties should spend time to understand the constraints and risks of each NDA they enter into. Where possible seek to use established NDA templates, for instance, those that have already been agreed between parties in relation to other exercises.

Tip: Establish any rights of first refusal

Fund documents for private market funds often enable the General Partner or other investors a priority opportunity to buy the interest if it is being marketed to an external party.

Why can rights of first refusal present a challenge?
If not established early in the process, this could de-rail a secondary sale and stop the prospective buyer being able to purchase the asset. In instances where rights of first refusal apply, transaction timelines may be extended due to the required consultation process.

How to get it right?
Discovering if a first right of refusal exists needs to be a key priority at the start of the process.
If a right of first refusal does exist, it does not need to be a dealbreaker and an experienced advisor can explore the options available to sellers to find a solution.

Phase 2. Non-binding offers

Once interested parties decide they are in the market for the opportunity, they will typically indicate broad pricing that they consider reasonable. This helps identify realistic buyers. The most competitive indicative bidders are then invited to complete further due diligence to agree the finer points of the transaction, before the transaction becomes binding on all parties.

Tip: Fully understand the offer

Most funds only undertake transfers on a quarterly basis, however, it can take several months from when a seller initiates a secondary market trade to when the deal completes. Planning is therefore key to ensure this is done as efficiently as possible.

Price
The offer price in a secondary market transaction is expressed as a percentage of the reported Net Asset Value ("NAV") of the asset. A buyer and seller agree upon a specific valuation date, known as the "reference" date at the start of a deal, this being the most recent valuation available.

Why can pricing dates present a challenge?
Understanding the NAV of private assets is difficult as there isn't a readily available market price or benchmark available given the uniqueness of the asset or fund.

Understanding whether the discount being applied to NAV is appropriate is incredibly important but can also be difficult as it depends on market trends, comparable assets, and understanding any differences in valuation methodologies.

As time passes since the reference date of an offer, several things can happen:

- ✓ Change in valuation
- ✓ Distribution of cash
- ✓ Capital calls

Other factors
Other relevant considerations in a transaction include the likely timeframe to close the deal and any additional costs and risks involved. These should also be compared between bids and assessed relative to the investor's objectives.

How to get it right?
When assessing offers, it is important for this to be done on a like-to-like basis. It's important to allocate sufficient time to understand the detail of the offer, raising questions for clarification where needed. Where necessary, seek input from a third party valuation specialist who may be able to provide insight into whether the price is appropriate and share market experience for comparable assets.

An investment advisor and secondary market broker can help a seller to understand the unique terms of each bid.



In LP-led secondaries, comparing offers isn't just about price - it's about decoding structure, timing, and market context with expert insight.
Every bid speaks a different language - buyers need time, tools, and trusted advisors to translate terms into real value.

Beatrice Stanoescu
Investment Consultant

Phase 3: Legal negotiations and closing

Following agreement to an offer in principle, the secondary market deal must be legally formalised and set out in several official documents.

Tip: Plan ahead with documentation and assign clear actions

There are two main documents required to complete a secondary market deal:

Purchase and sale agreement ("PSA"), also known as the sale and purchase agreement ("SPA"). The main document between a buyer and seller that oversees a secondary sale. The PSA outlines the sale's terms, the closing process, and the rights of both parties to modify the price or cancel the transaction.

Transfer Agreement ("TA"). The actual transfer of fund interest is done through a TA involving the fund manager, buyer, and seller. The fund manager's legal counsel supplies this document.

Why does documentation present a challenge?
These documents cover a lot of detail and different terms to negotiate, including legal and tax issues. There can be a series of negotiations required between many different parties before the documents are to be finalised.

It is important to disclose whether the fund has established (or has the capacity to establish) alternative investment vehicles. These are often known as "AIVs" and are created for tax or regulatory purposes to facilitate investments external to the fund. It is essential to make sure that they are included in the transfer enabling cleaner execution and tailored pricing for different asset types.

How to get it right?
To maximise the chances of success, clear deadlines and responsibilities need to be assigned between all parties at the outset, with specialist input provided by advisors where complex issues present themselves.

Conclusion

The growth in the use of the secondary market by defined benefit pension schemes means that a growing number of funds are being traded by buyers and sellers who have not previously traded on the secondary market.

By understanding potential challenges, and taking appropriate mitigating action, it becomes much more likely that a transaction will be completed successfully.

At XPS we believe each secondary transaction is unique, and there is not a "go to" solution in trading illiquid assets. Rather, a well informed and tailored approach is necessary. Through our private market trading service, XPS Xchange utilises our extensive relationships in the market, to execute a bespoke approach to mitigate these common stumbling blocks and achieve a successful outcome for each investor. XPS Xchange had reached the £330m deal mark at the end of July 2025.

Find out more

If you want to discuss any aspect of the material included in this guide, please contact: Beatrice Stanoescu, James Kidd or Jordan Harrison.



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About us

XPS Group is a leading UK consulting and administration business specialising in the pensions and insurance sectors. A FTSE 250 company, XPS combines expertise and insight with advanced technology and analytics to address the needs of over 1,400 pension schemes and their sponsoring employers on an ongoing and project basis. We undertake pensions administration for over one million members and provide advisory services to schemes and corporate sponsors in respect of schemes of all sizes, including 86 with assets over £1bn.
We also provide wider ranging support to insurance companies in the life and bulk annuities sector.

Our investment team advises over 350 clients with assets of over £100bn.

Award winning

Pensions advisory

Professional Pensions UK Pensions Awards 2025 – WINNER – Sponsor Covenant/IRM Adviser of the Year – XPS Group

Professional Pensions UK Pensions Awards 2024 – WINNER – Actuarial/Pensions Consultant of the Year – XPS Pensions Group

Professional Pensions UK Pensions Awards 2024 – WINNER – Sponsor Covenant/IRM Adviser of the Year – XPS Pensions Group

PensionsAge Awards 2024 – WINNER – Sponsor Covenant Provider of the Year

AP Awards – Software of the Year 2024

Professional Pensions UK Pensions Awards 2022 (25 Anniversary) – WINNER – Actuarial/Pensions Consultancy of the Year – XPS Pensions Group

Professional Pensions UK Pensions Awards 2021 – WINNER – Actuarial/Pensions Consultant of the Year – XPS Pensions Group

Investment consulting

Professional Pensions UK Pensions Awards 2023 – WINNER – Fiduciary Evaluator of the Year – XPS Pensions Group

Professional Pensions UK Pensions Awards 2022 (25 Anniversary) – WINNER – Investment Consultancy of the Year – XPS Pensions Group

Professional Pensions UK Pensions Awards 2021 – WINNER – Investment Consultancy of the Year – XPS Pensions Group

Administration

Professional Pensions UK Pensions Awards 2023 – WINNER – Third-Party Administrator of the Year – XPS Pensions Group

Professional Pensions UK Pensions Awards 2022 (25 Anniversary) – WINNER – Third-Party Administrator of the Year – XPS Pensions Group

Accredited Member – Pensions Administration Standards Association – assess | aspire | achieve

Corporate

Corporate Adviser Awards 23 – WINNER – Best Pension Adviser

Culture and Sustainability

UK Company Culture Awards 2024 Winner – Best Diversity, Equality and Inclusion (DEI) Initiative

Professional Pensions Rising Star Awards 2024 – WINNER – Organisational Award: Award for Supporting Development – XPS Group

Business Culture Awards – Winner 2024 – Working Environments & Practices

Professional Pensions UK Pensions Awards 2023 – WINNER – Diversity & Inclusion Excellence Award – XPS Pensions Group

UK Employee Experience Awards 2023 – Gold Award Winner – Employee Engagement

UK Stewardship Code

disability confident – Leader

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