



OVERBAY

Could Trump be the Best Thing to Happen to Secondaries?

The Donald may have just created a phenomenal Buyer's Market

We didn't have a Crystal Ball

In February 2025, Overbay held its AGM and we delivered a presentation on the state of private equity and secondaries. The presentation described the optimistic sentiment prevailing in capital markets and how 2025 appeared poised to be a strong year for M&A activity and IPOs. Trump and his administration were seen as highly pro-business, if not explicitly pro-private equity. The outlook was positive.

However, Overbay also highlighted concerns that secondary funds could become victims of their own success. Record amounts of capital were being raised for secondaries, creating a market that appeared over-capitalized. At the time, it was very much a Seller's Market, where institutions could easily sell private equity fund interests at little-to-no discount.

Since then, Trump's erratic policy moves have proven us wrong on every prediction we made. And yet surprisingly, despite this, the market for secondary buyers is, well, better. Which begs the question: has Trump inadvertently done secondary investors a huge favour?

Pre-Liberation Day...

Heading into 2025, investor optimism was high, with several key themes expected to shape the year ahead.



“The world is risk-on”

Following a public markets rally of over 50% since 2023,¹ investor sentiment shifted decisively toward riskier, high-growth opportunities. Bitcoin prices were rising, Treasury yields remained stable, and broader equity markets continued their steady ascent, fueling widespread optimism. Regardless of political views, many saw Trump as ushering in a new era of economic prosperity in the U.S.

Supply



“2025 is going to be a huge year for exits”

As 2025 approached, expectations for a surge in M&A activity grew. Private equity funds were flush with record levels of dry powder, leverage was readily available and a wave of company sales was widely anticipated. Early signs of a reopening IPO market—particularly among technology companies—further strengthened the outlook for a strong year of public listings.

Supply



“Too much money is chasing secondaries”

In the secondary market, intense competition was driving up valuations. By 2024, the average price for private equity fund interests had climbed to 94% of NAV.² Record-breaking fundraising efforts for secondary funds, coupled with the rise of evergreen structures such as 40 Act funds—many of which allocated heavily to secondaries—led to demand vastly outstripping available supply.

Demand



Seller's Market

With sellers growing more optimistic and price-sensitive, they became increasingly reluctant to part with assets. As a result, demand outpaced supply, driving prices higher.

Post-Liberation Day...

Investor sentiment has shifted sharply in recent weeks, creating a markedly different environment.



“Denominator Effect? Risk-off!”

Amid record volatility in public markets and dramatic currency swings, institutions have grown increasingly concerned about over-allocations to private equity—the so-called Denominator Effect.¹ Beyond allocation pressures, investors are also showing a broader unease toward higher-risk strategies such as private equity.

Supply



“2024 2025 2026 is going to be a huge year for exits”

Since early 2022, exits have fallen off a cliff—and stayed there.² Amid ongoing uncertainty and volatile capital markets, the consensus is that 2025 will be yet another challenging year for exits, leading to continued weakness in distributions to LPs.

Supply



“Go woke, go broke”

The Trump administration has been pressuring universities to dismantle DEI (Diversity, Equity, and Inclusion) policies. The administration has threatened to revoke tax-exempt status and cut billions in research funding. Under this mounting pressure, universities are making drastic financial moves, with prestigious institutions like Yale and Harvard selling off over \$7 billion in assets.³

Supply



Buyer’s Market

With greater supply, heightened uncertainty and low competitive tension, buyers can negotiate better prices and/or buy higher-quality assets.

Secondaries: The Best Deal in Equities

The economic outlook remains highly uncertain, with new tariffs and the threat of trade wars looming. Yet, in relative terms, secondaries offer a compelling value.

Private equity valuations already trail public markets, and secondary buyers can secure even deeper discounts. In today's market, buyers can be highly selective—negotiating better prices, targeting higher-quality assets, or both.

While the broader environment feels uncertain and capital deployment remains challenging, **secondaries stand out as a rare bright spot**. Buyers are acquiring companies at valuations meaningfully below public market comps, with an extra margin of safety through negotiated discounts. With ample supply available, investors have the ability to be both price- and quality-sensitive, creating an unusually attractive backdrop.

Public Equity¹

17.1x

EV/EBITDA

Average US PE Company²

12.7x

EV/EBITDA

Estimated LP Secondary³

9-11x

EV/EBITDA

So, I guess... thank you, DJT?

While Trump's policies have created turmoil for investors over the past month, there's a clear silver lining for secondary investors. Market dynamics have shifted dramatically, **creating an attractive buying opportunity for secondary funds.**

Tariffs, trade wars and rising uncertainty are broadly negative for the economy and most investors. Yet for equity investors in 2025, **secondaries of high-quality private equity funds may represent the best opportunity**—offering discounted access to strong assets amid market dislocation.

Discover Overbay's unique approach to secondaries. Our goal is to deliver the strongest distributions and the best risk-adjusted returns in private equity.

Speak with our team



181 Bay Street, Suite 3110
Brookfield Place, Bay Wellington Tower
Toronto, ON M5J 2T3

overbaycapital.com

Disclaimer

The opinions expressed herein reflect Overbay's current views and are subject to change. Past events and trends are not indicative of future events or results. This commentary provides general information on market conditions and does not constitute fiduciary advice, investment recommendations, or research. The accuracy of the data compiled is not guaranteed, and the views expressed may change after the issuance of this commentary. The information provided is for informational purposes only and should not be considered investment advice or an offer to sell or solicit any investment vehicles managed by Overbay. The suitability of investment concepts mentioned in this commentary depends on individual investment objectives and financial positions. Investors should carefully review tax considerations along with fees and transaction costs with their investment and tax advisors. The information in this commentary is believed to be reliable and obtained from public sources, but no warranty is provided regarding its accuracy or completeness.

Past performance is not necessarily indicative of future performance.

This Document contains certain statements, estimates and projections that are "forward-looking statements." These statements can generally be identified by the use of forward-looking terminology, including "may," "believe," "will," "expect," "anticipate," "estimate," "continue," "rankings" or other similar words. Overbay does not make any representations or warranties (express or implied) about the accuracy of such forward-looking statements. Readers are cautioned that actual results of an investment could differ materially from forward-looking statements or the prior or projected results. Readers of this Document are cautioned not to place undue reliance on forward-looking statements.