

## The maturity of the secondaries market is putting pressure on returns

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Marleen Groen, the founder and chief executive of Greenpark Capital believes the next growth area for the secondary market will be the acquisition of the tail-ends of older funds, partners would appreciate the opportunity of an exit at the end stage of the fund's life. She said: "The general partner can ask for an extension, but what's the point if there is a decent price for the portfolio? On the whole, whatever is left in those years is a fraction of what the fund started with."

According to Groen, an obstacle to this kind of deal is a belief among many general partners that limited partners would not be interested, but she believes this may be mistaken. She said: "In my experience, if there is a sensible price, limited partners would welcome the liquidation of older funds. Ten years is a long time.

"Winding up the tail-ends is another step in the development of the secondaries market that needs to come, but it is not quite there yet. General partners still tend to hang in there when a lot of LP's would welcome a winding up at an appropriate and fair price. Of course, they can't give it away. The difficulty will be in funds where there's nothing left of any value."

While leverage can help boost returns in the secondary market, Groen warns that it should be used carefully. She said: "In a limited number of cases – high-quality assets, diversified assets, and the prospect of relatively short-term distribution of cashflow that covers your repayments and interest with an attractive safety margin – leverage is an attractive way to enhance returns. But one needs to ensure that if the distributions don't happen, the deal is still attractive. It needs to be used with extreme caution. "