

The Secondary Market's Other Shoe

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Secondary buyers still seem skeptical about the value of some of the portfolios that they're eyeing, despite more access to year-end financial statements, according to a recent report issued by secondary intermediary NYPPEX LLC.

"Although we did see a pick up in transaction volume, it was less than expected and price improvement was also muted even when Dec. 31 [net asset value] guidance was provided by GPs," said Managing Member Laurence Allen.

Median bids for buyout funds, venture funds and funds of funds trading on the secondary market came in at a roughly 64% discount to the respective funds' underlying net asset values as of March 31, according to the report. The median discount levels are approaching historic highs of 71% reached back in 2003, the report stated.

Allen said that declines in public markets during the early part of this year contributed to lower than expected prices and deal volume despite greater clarity on year-end valuations.

"One shoe got put back on, but another shoe was dropping," he added.

That said, as the public markets have more recently showed some signs of improvement, Allen said he is already seeing an impact on potential sellers.

"It's brought out a noticeable number of sellers to try to get something done in the second quarter," Allen said.

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