

## Big Law Firms Embrace Private Equity Secondaries to Navigate Market Challenges



### An Emerging Market Finds Its Place in Private Equity

Big Law firms are carving out success in the burgeoning private equity secondaries market, establishing themselves as leaders in a field that has rapidly evolved from a niche backwater into a mainstream asset class. Amid a slowdown in traditional private equity dealmaking, the secondaries markets provide a critical alternative for liquidity, allowing firms to showcase their expertise in this essential area.

Private equity sponsors use the secondaries markets to sell assets to other private equity players or transfer ownership stakes in their firms. This approach is gaining traction, with transactions in the sector expected to exceed \$140 billion in 2023, according to Jefferies. This burgeoning market offers an avenue for cashing in investments during a time when exit sales and initial public offerings have largely stalled.

### A New Liquidity Frontier for Private Equity

The secondaries markets have become a vital tool for private equity liquidity. Investors, known as limited partners, are increasingly selling portions of their investments in private equity funds, while general partners are offloading stakes in their firms. Additionally, portfolio companies are being moved to continuation funds, providing extended opportunities for investment and growth.

“These deals are here to stay as the primary vehicles for private equity liquidity,” said Ethan Klingsberg, a partner at Freshfields.

### Key Players Dominate the Secondaries Space

Top-tier law firms with robust private equity practices have quickly adapted to the secondaries markets. Firms such as Kirkland & Ellis, Latham & Watkins, and Simpson Thacher & Bartlett—long known for their leadership in private equity M&A—are now leading players in secondaries transactions.

Kirkland & Ellis, for instance, has built a specialized team of about 60 lawyers dedicated to secondaries transactions, handling approximately \$50 billion in active general partner-led deals. “Nobody dabbles in this space anymore,” said Sean Hill, a partner at Kirkland. “The market demands real specialists with unique skills.”

### The Talent Gap: A Growing Concern

The rapid growth of the secondaries market has highlighted a pressing issue: a lack of experienced professionals. Law firms are rethinking their hiring and training strategies to meet demand. Timothy Clark, a veteran in the field who joined Freshfields in 2023, emphasized the long-term growth potential of the market, noting that firms willing to invest in talent will reap significant rewards.

“There is a talent gap that all of us are struggling to solve,” added Isabel Dische, chair of Ropes & Gray’s alternative asset opportunities group.

To address this challenge, firms are integrating private equity dealmaking and fundraising expertise—traditionally treated as separate tracks—into associate training. “We need to ensure our associates are trained in both areas,” said Lindsey Goldstein, a partner at Ropes & Gray.

### A Bottleneck or Opportunity?

The secondaries market is flush with potential, but it also faces a backlog of unsold portfolio companies. According to SQ Capital, a new firm founded by Mustafa Siddiqui, 28,000 portfolio companies remain unsold, with 40% held for over four years. This backlog presents both opportunities and challenges, as capital and talent must scale to meet demand.

DLA Piper, recognizing the market’s potential, recently expanded its roster by hiring Nick Sheets, formerly of Morrison Foerster. The firm is focused on delighting clients in this rapidly evolving space, said David Parrish, global co-chair of its investment funds practice.

### The Future of Private Equity Secondaries

The private equity secondaries market is no longer a fringe practice—it has become a core component of the industry’s strategy. While breaking into the space may be challenging for newcomers, it remains a fertile ground

for innovation and growth.

As Parrish put it, “None of us have a lock on amazing.”

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