

Why now for private equity secondaries?

May 2026



Why now is an opportune time for secondaries

In the current market environment, several dynamics make this an attractive entry point for secondaries:

<p>1 Market uncertainty and reduced exit activity</p>	<p>2 The denominator effect</p>	<p>3 Volatility creates entry opportunities</p>
<p>Market volatility may slow IPO and M&A activity, reducing primary fund distributions and potentially increasing demand for secondary liquidity solutions.</p>	<p>Public market drawdowns can increase private equity allocations within portfolios, increasing investor rebalancing activity through secondary transactions.</p>	<p>Short-term market volatility may create attractive entry opportunities, which may allow secondary managers to acquire diversified portfolios at more attractive prices.</p>

A compelling opportunity in periods of market volatility

In today's environment of elevated public market volatility, secondaries may offer a **compelling opportunity**. While no investment is immune to volatility, secondaries may offer a **differentiated** way to access private equity in uncertain markets.



Broad diversification¹

Secondary funds can provide compelling diversification across sponsors, sectors, geographies, industries, and vintages, acting as a stable core holding.



Ability to acquire known assets

By purchasing interests in private investment funds when most or all of their capital has been invested, secondary managers can negotiate an attractive entry point with reduced blind pool risk.



Potential for earlier cash returns²

Unlike primary funds that require years of capital deployment, secondaries are already invested in mature companies, leading to shorter investment periods and the potential for faster, more consistent capital distributions.



Opportunity for downside mitigation

Assets acquired at a discount provide a degree of downside mitigation if underlying portfolio company valuations decline.

Past performance is not an indicator or a guarantee of future results. Views expressed are those of Franklin Templeton and are subject to change. There can be no assurance that historical trends will continue.

1. Diversification does not assure profit or protect against market loss.

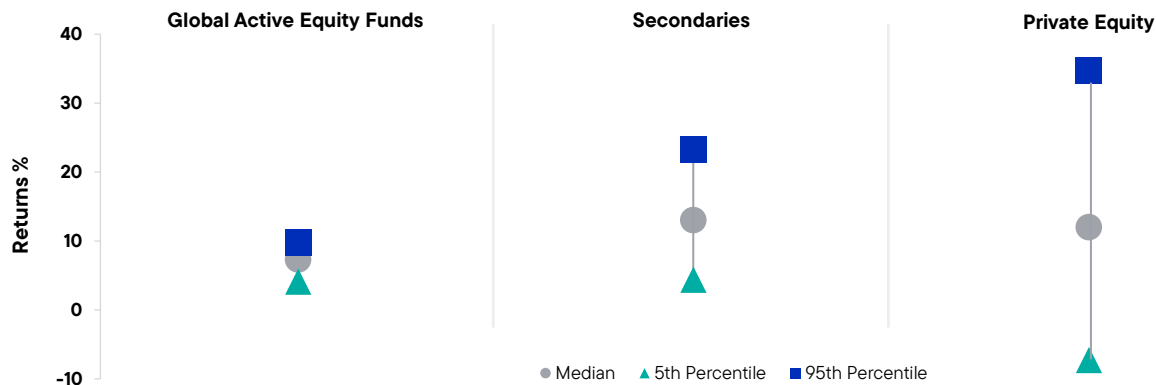
2. Distributions are not guaranteed; there is no assurance that private equity secondary vehicles will be able to pay distributions at a specific rate, or at all.

Historically lower dispersion than primary private equity

Historically, secondaries have demonstrated **narrower return dispersion** than primary private equity, reflecting the potential for more **consistent outcomes** across market cycles.

Return Dispersion Across Private Equity, Secondaries and Global Active Equities¹

From January 1, 2005—December 31, 2025

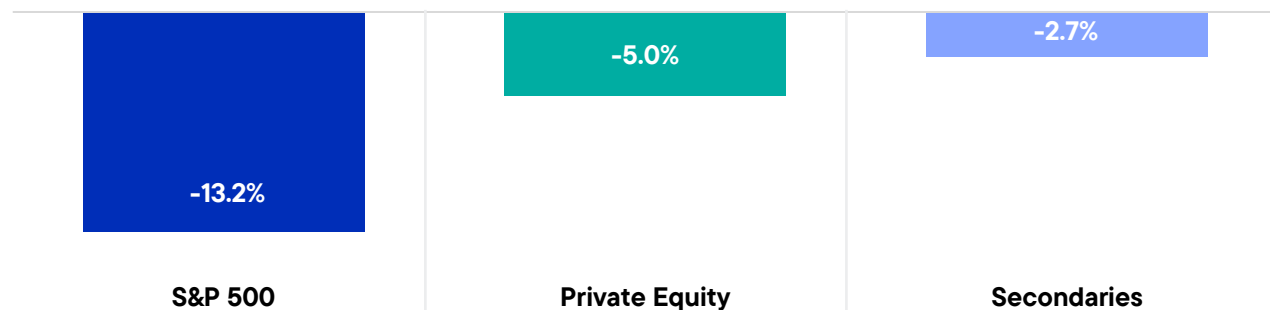


Demonstrated resilience in market downturns

During periods of public market stress, secondaries have historically shown **less volatility**.

Average Performance in the 10 Worst S&P 500 Quarters²

20 years ending December 31, 2025



Lower correlation to public markets

Private equity secondaries have historically shown **lower correlation** to public markets, offering the potential for **meaningful diversification benefits** and **reduced sensitivity** to public market volatility.

Secondaries has Generally Provided Greater Diversification to Stocks and Bonds³

10 years ending December 31, 2025

	US Stock Correlation	US Bond Correlation
Private Equity	0.73	-0.06
Secondaries	0.52	-0.04

Note: **Past performance is not an indicator or a guarantee of future results.** Views expressed are those of Franklin Templeton and are subject to change. There can be no assurance that historical trends will continue. Indexes are unmanaged and one cannot directly invest in them. They do not include fees, expenses or sales charges. Important data provider notices and terms available at www.franklintempletondatasources.com.

1. Source: MSCI Private Capital Solutions, Morningstar as of December 31, 2025. The returns for Global Active Equity Funds reflect the annualized returns for the period January 1, 2005 to December 31, 2025. The returns for secondaries and private equity are the internal rate of return (IRR) of the funds with vintage years from 2005 to 2019, as of December 31, 2025, for funds across all regions.

2. Source: MSCI Private Capital Solutions, SPDJI, Bloomberg. Analysis by Franklin Templeton. Indexes used: Private Equity: MSCI Private Capital Solutions' fund search results for Global Private Equity Funds (all categories); MSCI Private Capital Solutions search results for Global Private Equity Secondaries across all the strategies.

3. Source: MSCI Private Capital Solutions, SPDJI, Bloomberg. Analysis by Franklin Templeton. Indexes used: secondaries all strategies: MSCI Private Capital Solutions search results for Global Secondaries across all strategies, US stocks; S&P 500 Total Return Index, US Bonds; Bloomberg US Aggregate Index (Total Return), private equity: MSCI Private Capital Solutions' fund search results for US private equity funds (all categories).

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