



ODDO BHF
ASSET MANAGEMENT



PROMOTIONAL INFORMATION

PRIVATE ASSETS AND LIQUIDITY *A New Paradigm?*

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Private assets are entering a new era, finally allowing investors to combine long-term performance with flexibility.

Over the past decade, private assets have become an essential component of investor portfolios. Attractive returns, diversification from public markets, and access to different value drivers: the arguments were compelling.

This boom was based on a conscious trade-off: accepting illiquidity in exchange for higher returns. With interest rates near zero, the “illiquidity premium” was seen as an almost obvious opportunity. The relative stability of public markets made managing capital calls easier, and the need for short-term liquidity seemed limited. This period shaped allocation policies in which liquidity was not a priority. But the landscape has since changed radically with rising interest rates, increased volatility, and stricter regulatory requirements. **Liquidity has become a crucial issue, and two major trends are emerging: the strong growth of the secondary market and the development of evergreen structures.**

The secondary market for private assets has changed in nature. From an opportunistic and relatively confidential market, it has become a structured, deep segment organized around intermediaries and specialized teams. Investors can now sell fund shares or entire portfolios, no

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longer just in emergency or forced situations, but as part of active asset management: to rebalance their allocation, reduce concentration risk, lock in gains, or reposition themselves toward other strategies.

This professionalization is accompanied by new forms of transactions, notably so-called “GP-led” transactions where the manager himself organizes a liquidity solution in the form of a continuation fund to extend the life of a quality asset or restructure legacy vehicles. The investor is no longer subject to the exit timeline; he chooses between selling, remaining invested, or increasing his exposure. Liquidity becomes flexible, negotiated, and integrated into the relationship with the manager.

However, the secondary market is not a panacea: prices remain subject to market cycles, depth varies by segment, and trading windows may close during periods of stress. Hence the importance, for asset allocators, of integrating the secondary market from the outset of portfolio construction: defining rotation scenarios, identifying assets to be divested, and selecting reliable secondary market partners. Liquidity becomes a strategic option rather than a makeshift exit.

At the same time, the rise of evergreen structures is redefining the line between illiquidity and flexibility. Unlike traditional closed-end funds, these open-end vehicles allow for regular subscriptions and redemption opportunities—often on a quarterly or semi-annual basis—based on net asset value. They meet a growing demand from investors seeking to benefit from illiquidity premiums without committing to a fixed 10- to 12-year horizon and without having to manage capital calls. These structures provide a form of “organized liquidity”.

Mechanisms such as waiting lists, redemption caps (gates), notice periods, or liquidity buffers help absorb inflows and outflows. Diversification by vintage and strategy also reduces the risk of relying on a single divestment schedule. For the investor, the J-curve is often smoothed out and cash management simplified. It therefore, makes sense that this new format is particularly popular with private investors who, until now, had relatively little exposure to private assets.

However, the evergreen structure introduces a risk of mismatch between the promised liquidity and the nature of the underlying assets. In the event of a market shock or a wave of redemption, the governance of suspension mechanisms and NAV management becomes crucial. This “semi-liquidity” must therefore be properly managed and understood by all stakeholders.

The new paradigm for private assets is thus taking shape around a three-pronged approach: the primary market, the secondary market, and evergreen structures. The primary market remains the engine of long-term value creation; the secondary market offers more flexible entry and exit points; and the evergreen structure provides a framework for continuous holding, capable of smoothing out cycles and cash flow needs. Investors now have a full range of tools to manage their exposure and liquidity. In this new cycle, the winners will not only be those who gain access to the best private assets, but those who can orchestrate, over the long term, liquidity at the very heart of their unlisted strategies. **The question is no longer “liquidity or performance” but “what level of liquidity, at what price, and for what type of investor?”.**

The examples mentioned in the document are not investment recommendations.

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