Rethinking Liquidity:

Exploring NAV Finance as a Strategic Alternative to Secondaries

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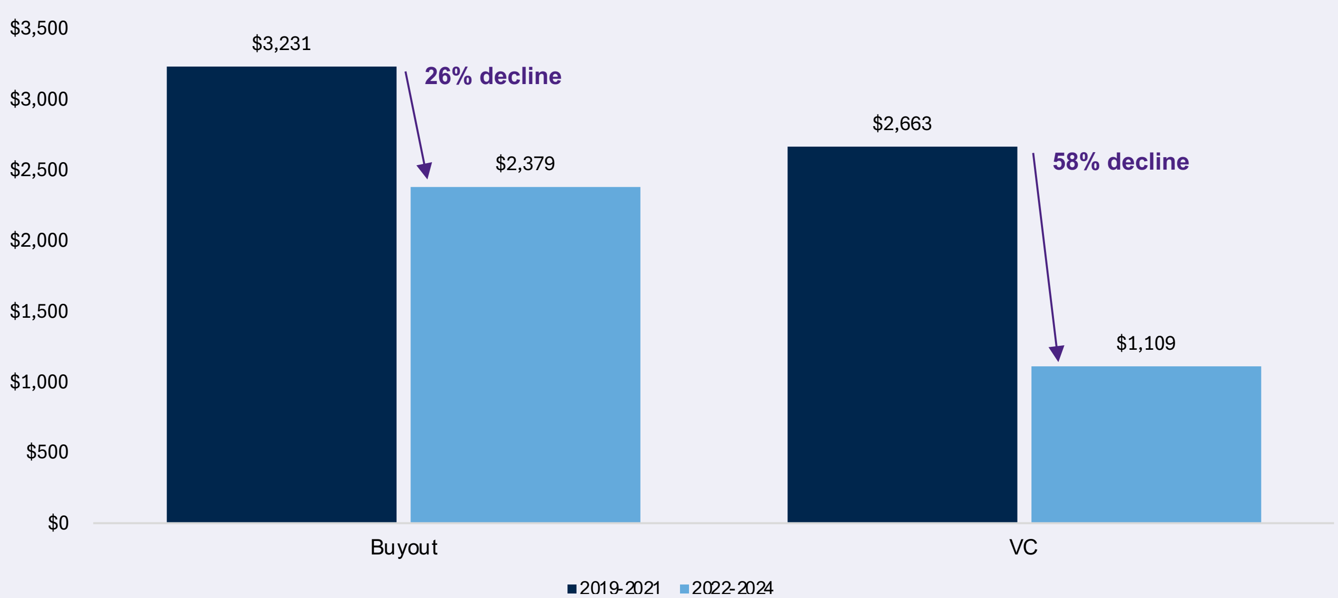
Private market distributions have slowed meaningfully in recent years, creating cash flow challenges for many investors, particularly those that utilize portfolio distributions to fund capital calls, operating needs, or new allocations. The secondary market has traditionally served as a release valve, but with widening discounts to NAV and other trade-offs to consider, it may not always be the most appropriate liquidity solution.

Net Asset Value ('NAV') finance has emerged as a compelling alternative and is gaining traction within the Family Office community as a discreet, tax-efficient, and bespoke portfolio management solution. NAV lending, a loan against private fund investments, provides a flexible, non-dilutive solution for investors to unlock liquidity without selling positions, jeopardizing relationships, or foregoing long-term upside. This paper explores the evolving liquidity landscape, assesses the pros and cons of secondary sales, and outlines the growing relevance of NAV finance to Family Offices.

Introduction: A Liquidity Crunch in Private Markets

Over the last three years, private markets investors have experienced a marked decline in distributions. Exit activity remains well below historic levels, driven by macroeconomic uncertainty, higher interest rates, and subdued M&A and IPO markets. PitchBook reports that global buyout exit value from 2022-2024 fell by 26% compared to the prior three-year period.[1] The decline in exit activity is even more pronounced within the venture space, with the value of global venture-backed exits falling by over 58% across the same time period.[2]

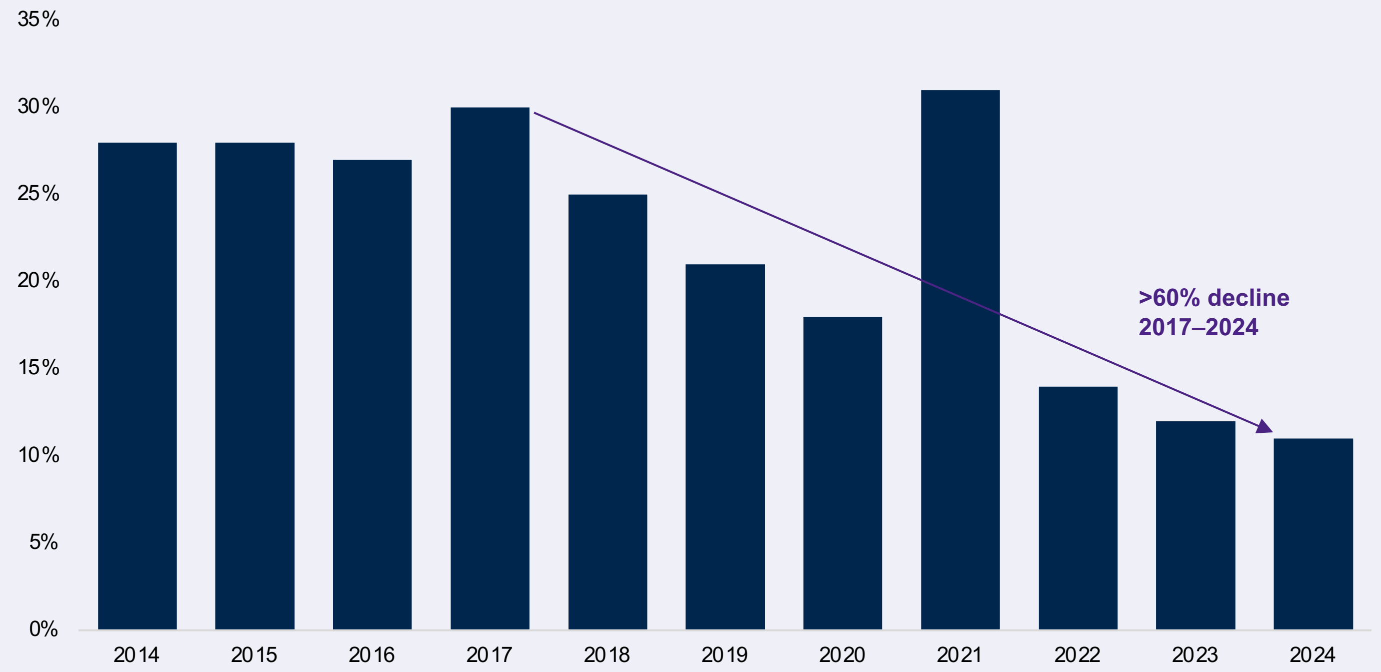
Figure 1: Global Buyout and VC Exit Value: 2019-2021 vs. 2022-2024[1,2]



[1]PitchBook "Q1 2025 Global PE First Look" published April 2025.
[2]PitchBook "Q1 2025 Global VC First Look" published April 2025.

Muted exit activity has directly impacted cash distributions to Limited Partners (‘LPs’) investing in private funds, leaving many investors with less liquidity than anticipated. Recent Bain analysis found that with the exception of 2021, global buyout distributions as a percentage of NAV have declined year-over-year since 2017, falling to a low of 11% in 2024, a decline of over 60% when compared with distribution activity in 2017.[3]

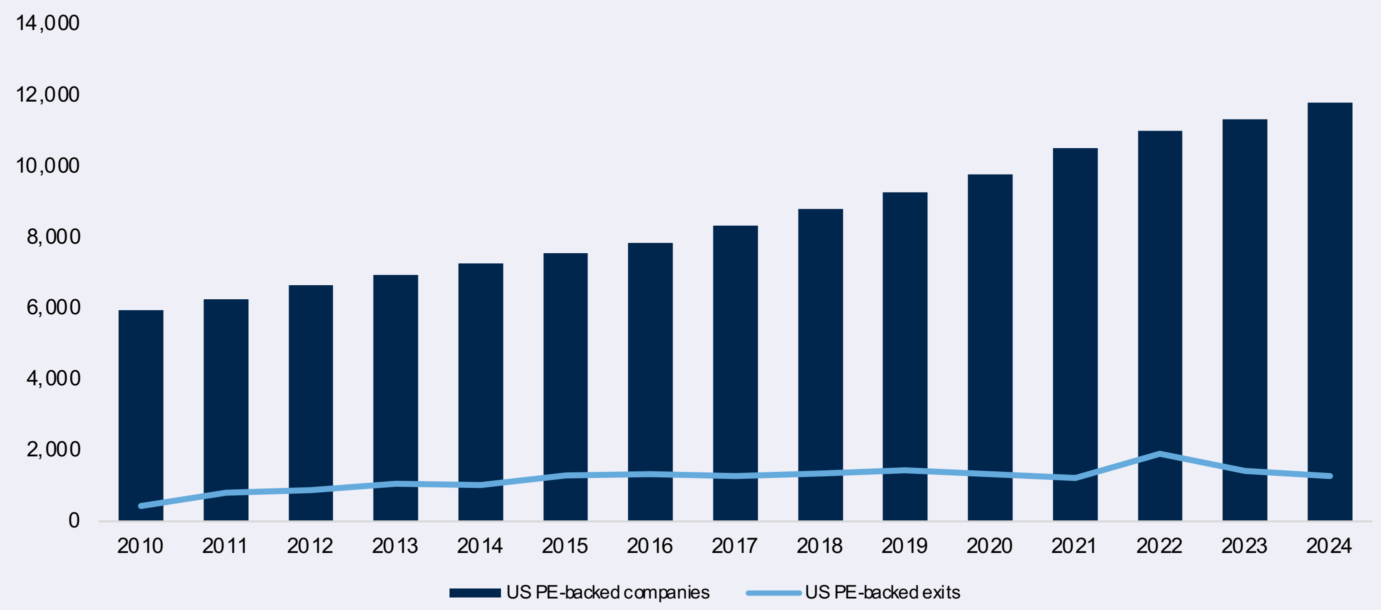
Figure 2: Global Buyout Distributions as a Percentage of NAV[3]



In addition, according to PitchBook estimates, the number of US private equity–backed companies has grown steadily each year, more than doubling from just under 6,000 in 2010 to nearly 12,000 in 2024. In contrast, exit activity has remained relatively flat over the same period and has failed to keep pace with the significant growth in PE-backed company inventory. The result is an increasingly large number of unrealized assets sitting within private markets funds, extended holding periods, and intensifying pressure on stakeholders to generate liquidity.

[3]Bain & Company: “Global Private Equity Report 2025” published March 2025.

Figure 3: US PE-Backed Companies vs. US PE-Backed Exits[4,5]



Private markets investors—including Family Offices and endowments—have long demonstrated a disciplined, long-term approach to the management of their private markets portfolios—one that balances capital growth with broader objectives like philanthropic giving, portfolio rebalancing, and re-investment. In a distribution environment that remains well below historical norms, these core objectives are increasingly at risk. While the secondary market has traditionally provided the only path to liquidity, many sophisticated private markets investors are now reassessing the limitations of secondary sales and beginning to explore more strategic, less disruptive approaches to liquidity management.

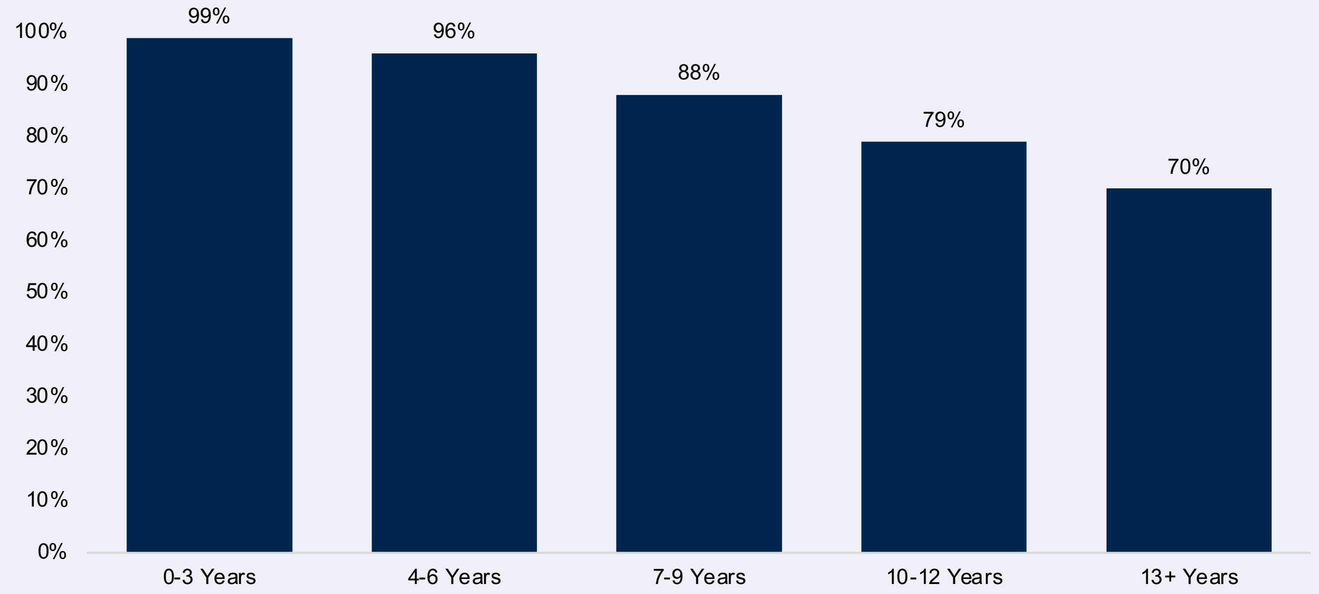
Secondary Sales: Use Cases and Considerations

The secondary market has grown over time as a practical means of accessing liquidity in private markets. For Family Offices managing private fund portfolios, secondary sales can provide capital to meet near-term obligations, offer a timely and clean exit from tail-end positions, and facilitate portfolio rebalancing. In certain cases, selling interests can also help reduce exposure to underperforming or less strategic funds, thereby improving overall portfolio quality. While transactions can involve execution and process risk, the market is mature, and the mechanics are generally well-understood.

[4] PitchBook “Q1 2025 US PE Breakdown” published April 2025.
[5] PitchBook “2024 US PE Breakdown" published January 2025.

But while secondary sales can be an effective tool for generating liquidity, they involve meaningful trade-offs, with pricing being the most significant. Private fund positions are typically sold at a material discount to reported NAV—with discounts in the 5% to 30% range depending on strategy, asset quality, age of the assets, and buyer demand, though certain segments such as venture and growth equity can trade at significantly deeper discounts. A recent Jefferies publication noted that the average discount to NAV on a Limited Partner secondary was 11%, whilst the data suggests average discounts of 12-30% for buyout fund positions older than seven years.[6] For long-term investors, selling private fund positions in the secondary market often means forfeiting a significant portion of potential upside, particularly when the underlying assets remain in the value creation phase or are approaching exit. In many cases, the trade-off is between immediate liquidity and compounding value over a longer time horizon.

Figure 4: Average Buyout Fund Pricing by Age of Fund as a Percentage of NAV[6]

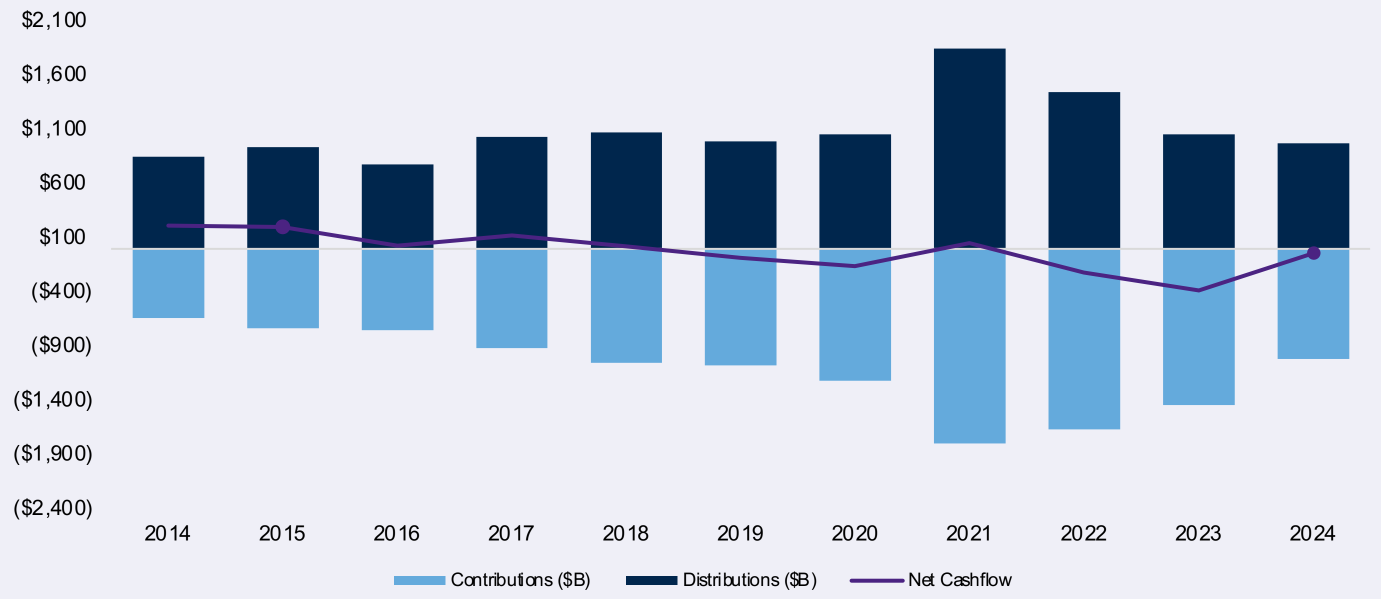


According to PitchBook, investors have been net cashflow negative for five of the last six years,[7] meaning that their capital contributions to private markets investments exceed the distributions that they have received from their investments. The significant pent-up demand for liquidity across private markets has led to the secondary market becoming increasingly saturated, with a growing volume of private fund interests coming to market. Based on our market observations, more than $600B of private markets assets were brought to the secondary market in 2024, yet only a fraction—around 20%—resulted in completed transactions. For Family Offices, this means that even if a secondary sale is under consideration, execution is far from assured.

[6]Jefferies: "Global Secondary Market Review" published January 2025.
[7]PitchBook "Q1 2025 Global Private Market Fundraising Report" published May 2025; 2024 reflects Q1-Q3 data.

For Family Offices evaluating a secondary sale—even of high-quality, blue-chip exposure—this often means entering a crowded playing field, where limited buyer capacity and heightened selectivity can constrain pricing and stretch timelines. In today's market, even strong assets may face a material valuation haircut simply due to volume and competition. Additionally, the pricing of LP portfolios <$100MM NAV can be less competitive as those portfolios can be too small for large buyers to prosecute, leading to a lower number of interested parties and ultimately, a wider discount to NAV. As a result, investors may find themselves in an uphill battle to achieve a timely or satisfactory outcome.

Figure 5: Global Private Capital Contributions and Distributions[7]



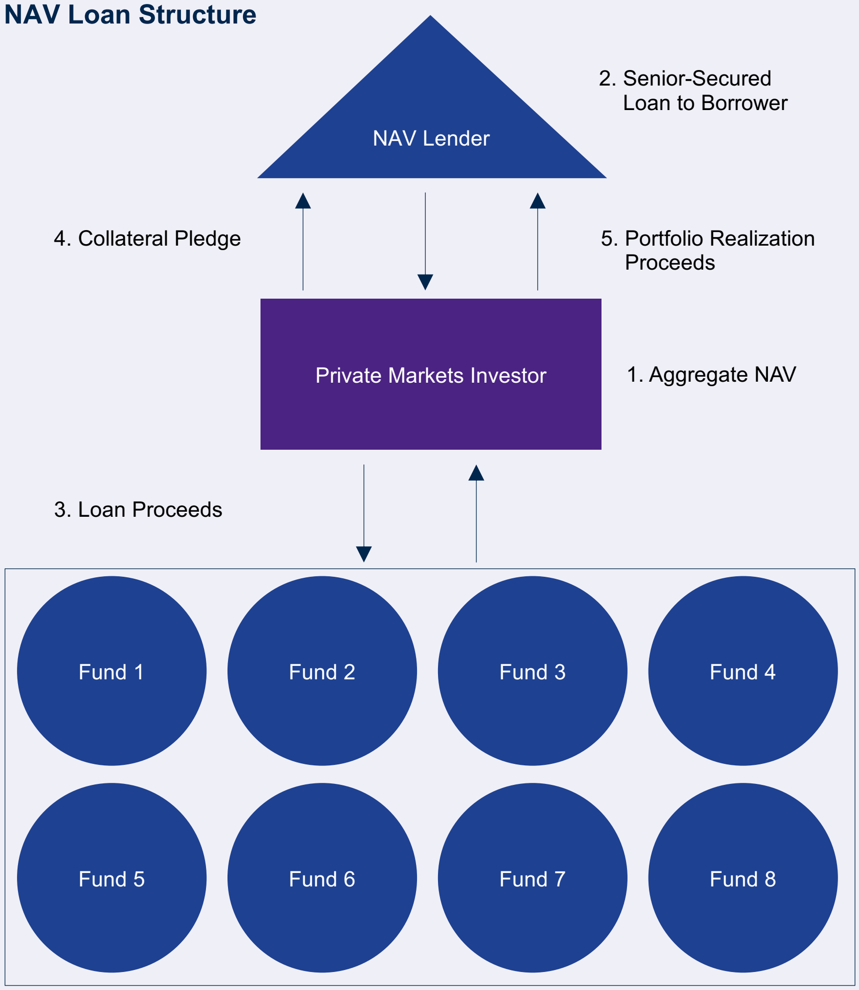
Beyond pricing, investors must consider several other factors. Relationship management is often a key consideration as the optics of a secondary sale can have a detrimental impact on an investor's relationship with the private fund manager. A secondary sale may be viewed as a lack of confidence or long-term alignment, potentially affecting future allocations, information flow, and access to co-investments. Secondary sales of well-regarded managers and/or high-quality portfolios, particularly at a meaningful discount, can also signal liquidity challenges—a dynamic that many Family Offices, in particular, seek to avoid given their emphasis on discretion and concern over how such actions may be perceived by managers, peers, or the broader market.

Execution of secondary sales can vary in complexity but is rarely straightforward. Legal transfer restrictions, General Partner (‘GP’) consent requirements, and protracted negotiation timelines often mean that the end-to-end secondary sale process can stretch across 3-6 months. Where multiple counterparties are involved—advisors, intermediaries, legal counsel—which is typically the case, transaction costs can add up quickly and erode net proceeds, further amplifying the purchase price discount. In many cases, the frictional costs, execution risk, and timing uncertainty associated with a secondary sale can outweigh the benefits of near-term liquidity.

An Alternative to Selling: The NAV Finance Option

Before exploring the use cases for NAV finance—also referred to as NAV lending— and why it may offer a more compelling liquidity solution for Family Offices than a secondary sale, let’s first address the question, what is NAV finance? In short, NAV finance is a form of private credit that is secured against the NAV of private markets fund interests and/or portfolio companies. This is a form of non-dilutive capital—allowing investors to unlock liquidity and optimize performance without selling assets or giving up long-term upside—structured as either debt or a preferred equity investment. NAV loans are highly bespoke, with terms structured around the specific needs of the borrower—offering flexibility across sizing, duration, and use of proceeds.

Figure 6: Illustrative NAV Loan Structure



The NAV lending market has grown to account for $45 billion of annual transaction volume[8] as private markets investors increasingly utilize such structures as a portfolio management tool. In many cases, these investors face liquidity constraints not because of portfolio underperformance, but due to the structural illiquidity of private assets and an uneven distribution cycle. NAV finance can offer those investors the opportunity to remain patient, long-term investors and continue compounding value within their private markets portfolios, while still solving for short-term cash flow goals.

NAV Lending vs. Secondaries: Finding the Right Fit for Family Offices

NAV lending allows Family Offices to sidestep secondary sale discounts and raise capital by borrowing against the value of portfolio assets, preserving exposure to future upside and strategic investments, while ensuring they have sufficient cash at hand to meet short-term obligations.

Many Family Offices invest across a broad range of asset classes—from venture and growth to buyout, credit, and real estate. This diversity creates a mix of liquidity profiles and cash flow needs that can be difficult to manage with one-size-fits-all solutions and one-off secondary sales. NAV loans, by contrast, are highly customizable. NAV financing solutions can be tailored around the specific objectives of the borrower, from size and duration to repayment flexibility, making them well-suited to the unique dynamics of Family Office portfolios.

Additionally, NAV loans also offer enhanced confidentiality and can be arranged discreetly, avoiding the signaling risks typically associated with a secondary sale. This discretion is especially valuable for Family Offices, where reputational considerations and the preservation of key GP relationships is often top of mind. NAV loans may also offer meaningful tax advantages for Family Offices. Unlike secondary sales, which can trigger the realization of capital gains, NAV financing generally allows investors to access liquidity without creating a taxable event. For many, this deferral can enhance after-tax outcomes and preserve long-term compounding.

Family Offices should also consider the importance of speed and certainty when evaluating liquidity options. Secondary sales typically feature an element of price discovery, frictional costs and extended negotiation timelines. NAV loans, by contrast, typically involve fewer counterparties and less process complexity which enhances speed of execution and can provide institutions with faster access to capital.

[8]Fund Finance Partners: “FFP NAV Lending Index” Q4-2024.

Consideration	NAV Loan	Secondary Sale
Discount to NAV	No discount to NAV	Often sold at a discount in the range of 10–30%+
Upside Preservation	Investor retains full exposure to future potential upside	Future gains are forfeited upon sale of fund position
Portfolio Continuity	Able to generate liquidity without disrupting allocations or longer-term strategy	Strategic manager exposures may be reduced or lost entirely dependent on the sale
Structuring	Highly customizable to match portfolio objectives	Sale terms driven by market conditions and buyer preferences
Confidentiality	Privately negotiated; avoids market signaling or GP relationship disruption	Potential to signal distress or liquidity pressure to the market
Tax Treatment	Typically defers realization of capital gains	May trigger capital gains or tax liabilities
Speed of Execution	Streamlined process with fewer counterparties; typically quicker process to close and access funding	Longer process with buyer diligence, intermediary involvement, negotiation, and transfer approval

For Family Offices facing near-term liquidity needs, whether to meet capital calls, fund new commitments, or support broader objectives, NAV finance is becoming an increasingly valuable part of the toolkit. It offers a path to generate liquidity while preserving exposure, relationships, and long-term return potential. Before accepting a discount on a secondary sale, it may be worth exploring whether NAV lending can deliver a better outcome.

HYPOTHETICAL CASE STUDY

Family Office NAV Loan vs. Secondary Sale

Background

A single-Family Office with approximately $400 million in AUM had built a diversified portfolio of private fund investments. Approx. 60% of their capital was allocated to private funds, including several 2015–2018 vintage buyout funds in harvest mode. Like many investors, the Family Office had experienced a sharp decline in distributions and faced a $20 million liquidity shortfall tied to new fund commitments and capital calls.

The Initial Path: Secondary Sale Consideration

To create near-term liquidity, the CIO explored a secondary sale of several LP fund positions. The positions were high quality but indicative pricing from secondary buyers came in at a blended 17% discount to NAV. Beyond pricing, the team had concerns about signaling risk, relationship management, and loss of future upside.

The Alternative: NAV Loan Solution

The Family Office opted to pursue a NAV loan secured against a diversified pool of fund interests, primarily in buyout and growth equity strategies. The structure was customized to meet the needs of the Family Office and included flexible repayment terms and limited NAV covenants.

Outcome

The NAV loan provided fast access to liquidity without disrupting active relationships, locking in a discount or triggering the tax consequences associated with a sale. GPs were unaware of the transaction, avoiding any adverse optics. Within eight months, a portfolio company within one of the pledged funds was sold, generating distributions sufficient to repay a portion of the loan ahead of schedule.

Conclusion

As with any form of credit, NAV finance involves trade-offs. Interest costs, legal structuring, and ongoing monitoring requirements all warrant careful consideration. But with the right partner, these complexities are manageable, and the benefits can be material. NAV loans are ultimately a tool. When thoughtfully structured, they can provide flexible, non-dilutive capital without disrupting long-term exposure. The key is working with a lender that understands the nuances of private markets, has a strong underwriting track record, and can provide a range of financing solutions tailored to meet the borrower's specific objectives. As distributions remain muted and private market liquidity remains tight, NAV lending is becoming an essential tool in the Family Office liquidity toolkit. Before accepting a discount on a secondary sale, investors should consider NAV finance, a highly effective way to unlock liquidity without compromising performance, relationships, or strategic alignment.

ORIX USA's GP Solutions Group is a strategic capital solutions provider that provides $10-50 million in bespoke financing solutions to meet the needs of private markets sponsors and investors.

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