

The New Price of Liquidity in Private Markets

How gates, discounts, and alternative liquidity solutions are reshaping investor decision-making

Introduction

Liquidity has emerged as one of the defining issues confronting private markets today. Over the past decade, the growth of liquid and semi-liquid fund structures broadened access to the asset class, but it has also increased the stakes when demand for liquidity rises simultaneously. Structures that function smoothly in benign environments have been forced to operate under stress, revealing the mechanisms that constrain access to capital: gates, suspensions, and discounted liquidity options that many investors did not fully underwrite when making their initial commitment.

Financial Times analysis of the largest semi-liquid private credit funds indicated that redemption requests in Q1 2026 reached approximately ~\$20 billion, with only half of those requests honored, leaving many investors in a position to either wait for the next redemption window or seek alternate solutions.¹ Within the non-traded BDC market, Q1 2026 redemption requests from the 12 largest BDCs were materially elevated, at 12.1% of NAV on average, well above typical quarterly redemption limits of 5.0% of NAV and significantly higher than the 2025 average of 2.7%.²

The widely-reported Saba Capital ('Saba') tender offer in March to shareholders in Blue Owl Capital Corporation II, a non-traded private credit fund, intensified focus on this dynamic.³ Saba offered locked-up shareholders in the Blue Owl vehicle immediate liquidity at a reported discount to Net Asset Value ('NAV') of approximately 35%.⁴ Similar offers were made by Saba to investors in Starwood Real Estate Income Trust, where tender pricing reportedly ranged from a 24-29% discount to NAV depending on share class.⁵ What these transactions revealed was not the absence of liquidity, but the price required to obtain it when the sponsor could not provide it.

This was not an isolated event. Across private credit, real assets, and other liquid or semi-liquid alternative vehicles, investors have encountered redemption gates, prorated withdrawals, and tender offers at meaningful discounts to NAV, each a different mechanism for the same outcome – capital returned on the fund's timeline, not the investor's. Even within traditional closed-end structures where illiquidity is an explicit expectation on the initial underwrite, the sustained slowdown in exits and distributions has made the timing of liquidity far more uncertain than most allocators modeled. The result is a broader reassessment of a fundamental question: when liquidity is needed, what options are available, and what do they cost?

The Structural Reality Behind Today's Liquidity Debate

Today's liquidity constraints are not primarily the result of widespread asset underperformance. They are structural. Distributions across private markets remain well below historical norms. According to Bain, distributions as a percentage of NAV have held below 15% for four consecutive years, a level not seen since the global financial crisis, while Limited Partner ('LP') contributions have equaled or outweighed distributions in five of the last six years.⁶ Exit backlogs have grown materially as the number of buyout-backed companies has grown to over 29,000, significantly outpacing realizations.⁷ Semi-liquid fund structures embed an inherent asset-liability mismatch, offering periodic liquidity windows against assets that are illiquid by nature and exit over multi-year horizons.

1. Financial Times, "Investors sought to pull \$20bn from private credit funds in first quarter", April 8, 2026.

2. S&P Global, "What is actually going on in BDC portfolios?", April 30, 2026.

3. Blue Owl Capital Corporation II press release via PR Newswire, March 6, 2026.

4. PR Newswire, *supra* note 3.

5. CNBC, "Saba Capital finds little appetite for tender offer of shares in Blue Owl, Starwood private credit funds," April 27, 2026.

6. Bain & Company, "Global Private Equity Report 2026" (February 2026).

7. Bain & Company, *supra* note 6.

In benign markets, these frictions are manageable. In periods of elevated redemption demand or muted exit activity, they become an acute pain point. Gates and discounted liquidity mechanisms are not failures of the model but rather the mechanisms by which liquidity is rationed to protect remaining investors. For allocators facing capital calls, rebalancing needs, or opportunistic deployment elsewhere, that distinction provides little comfort. The practical choice set has narrowed to two options: accept a deep discount, or wait. Increasingly, sophisticated investors are questioning whether there are more remedies available beyond that binary choice.

Liquidity Does Not Have to Mean Selling

NAV finance provides an alternative to traditional liquidity mechanisms, such as a secondary sale. A NAV loan is a form of private credit secured against the value of a private markets portfolio, allowing investors to raise capital without selling underlying positions. The structure is non-dilutive, meaning long-term upside is preserved and General Partner ('GP') relationships are not jeopardized. Transactions are privately negotiated, avoiding the signaling risk associated with a secondary sale. Structures are highly customizable across size, duration, and repayment terms, and with fewer counterparties and less process complexity than a secondary sale, execution is typically faster and carries a higher degree of certainty. In recent years, the NAV lending market has experienced significant growth as investors increasingly deploy these structures as a portfolio management tool rather than as a last resort, particularly in response to liquidity constraints in semi-liquid fund structures, such as interval funds including '40 Act funds, non-traded BDCs, and non-traded REITs, where redemption gates and tender mechanisms have limited access to capital.

Why NAV Financing Solutions Are Increasingly Relevant

The rising interest in alternative liquidity solutions e.g., NAV loans, is not a response to deteriorating asset quality.

Many investors today hold seasoned, high-quality assets accumulated during the active deployment years of 2019 to 2022, but face near-term liquidity needs driven by capital calls, portfolio rebalancing, or new allocation opportunities. The constraint is structural illiquidity and a prolonged distribution drought. In that environment, NAV financing allows investors to remain patient, long-term owners while still meeting near-term cash flow obligations. The economic and strategic differences between a secondary sale and a NAV-based solution can be material, and are summarized below.

Consideration	Selling (Secondaries / Tender Offers)	Alternatives (e.g., NAV Financing)
Pricing	Typically at a discount to NAV or market price	No forced discount to asset value
Upside	Future upside forfeited	Upside retained
Speed & certainty	Variable; market dependent	Typically faster and more predictable
Confidentiality	Potential signaling risk	Privately negotiated, discreet
GP relationships	May impact optics	Ownership and alignment preserved
Flexibility	Buyer-driven terms	Bespoke, portfolio-specific

Toward a More Deliberate View of Liquidity

The current market has forced a more honest conversation about liquidity in alternative investments. Liquidity is not binary. It exists on a spectrum shaped by structure, market conditions, and investor behavior, and when many investors seek it out in tandem, its true cost becomes visible through gates, discounts, and delays. Investors who understand the full range of options available to them, and the trade-offs embedded in each, are better positioned to act proactively rather than reactively. In an environment where selling may mean forfeiting long-term value at the wrong point in the cycle, NAV finance is becoming a permanent and strategically important part of the private markets toolkit. Before accepting a discount on a secondary sale, it is worth considering whether a better outcome is available.

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