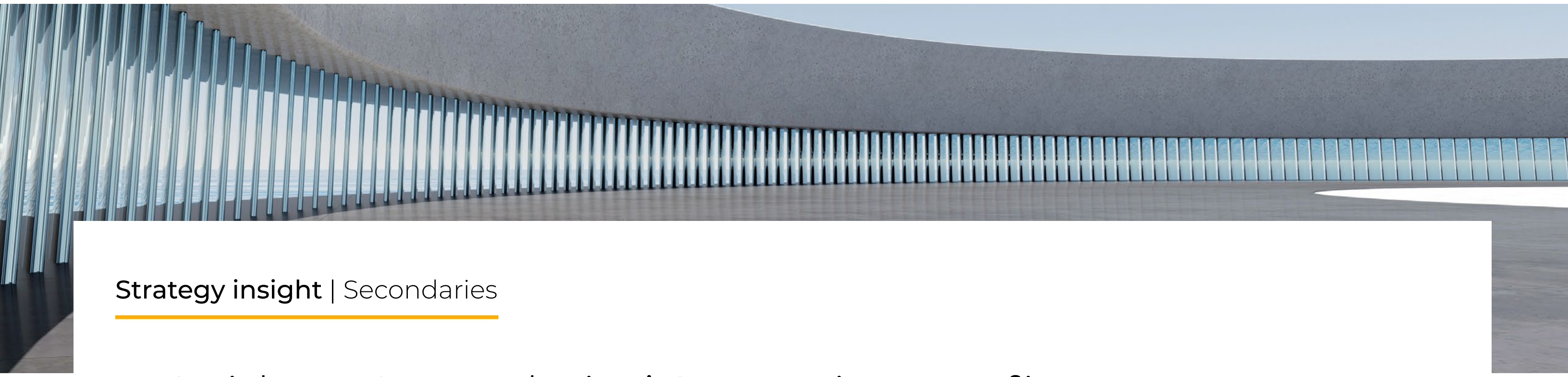

Strategy insight | Secondaries

A Guide to Secondaries' Strategic Benefits

Accessing Private Equity with Greater Flexibility, Visibility, and Portfolio Efficiency

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For investors new to private equity, traditional primary fund commitments can require significant patience.

Private equity secondaries offer a differentiated way to build and manage private equity exposure by allowing investors to access opportunities with greater flexibility, visibility, and portfolio efficiency:

Traditional Private Equity	Potential Benefits of Secondaries
Building diversification can take multiple fund commitments over many years	Immediate exposure to diversified portfolios of funds and companies
Returns may be impacted by the early-stage J-curve	Access to more mature assets can reduce J-curve effects and improve visibility
Reaching target exposure can take years	Faster deployment and accelerated portfolio construction
Capital may remain tied up for extended periods	Earlier distributions can enhance liquidity and capital efficiency
Balancing return potential and downside risk can be complex	Historically attractive risk-adjusted return profile relative to other PE strategies

For illustrative purposes only. Diversification does not ensure a profit or protect against a loss.

We dive into each of these points in greater detail below.

Five Potential Strategic Benefits of Secondaries

1. Broad Diversification from Day One

Diversification is one of the foundational principles of sound portfolio construction, and secondaries can provide it quickly.

Rather than building exposure gradually over many years and fund cycles, investors can gain immediate access to a backwards diversified private equity portfolio through a single secondary allocation. This may be particularly valuable for investors entering private equity for the first time and seeking to establish a meaningful allocation efficiently.

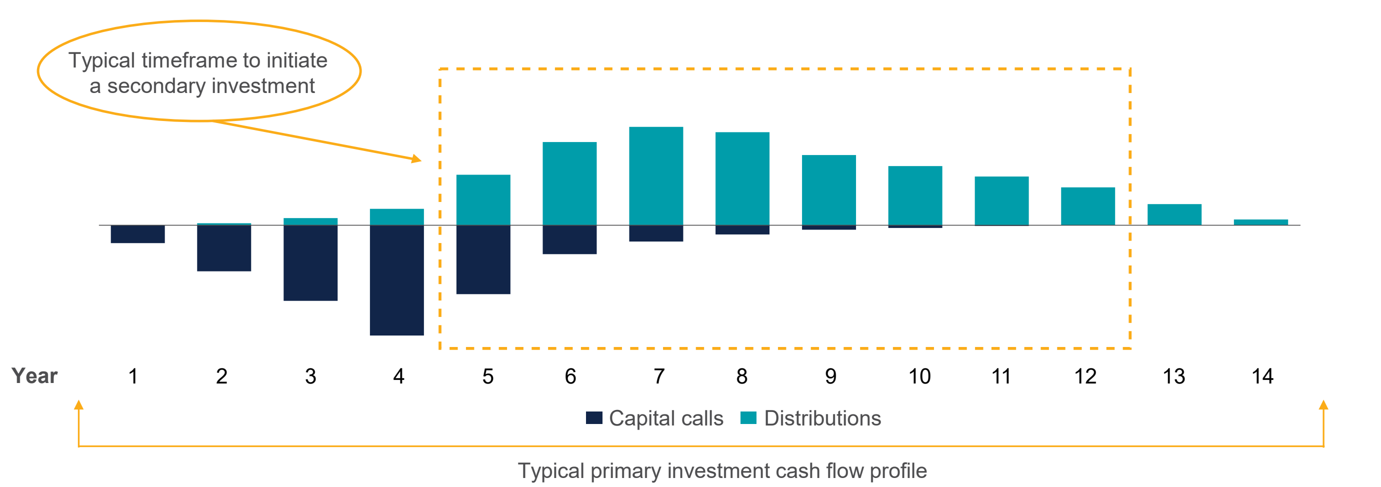
Well-diversified secondary programs can provide exposure to hundreds of underlying private equity funds and thousands of underlying portfolio companies, creating a level of diversification that would take many years and numerous primary fund commitments to replicate. This breadth of exposure may help reduce manager-specific, company-specific, and vintage year-specific risk while providing investors with access to a broad cross-section of the private equity market.

2. Reduced J-Curve and Greater Visibility

In a traditional private equity fund, fees and investment costs are incurred before portfolio companies have had time to appreciate in value. As a result, reported returns may initially be negative before improving later in the fund's life, an effect known as the J-curve.

Secondaries can help mitigate this effect by acquiring more mature assets which are primed for growth, often at a discount to net asset value.

Secondary investments generally occur when a primary portfolio is substantially invested and generating liquidity



Cash flow profile presented for illustrative purposes only. Data shown does not represent the performance of any HarbourVest fund/account.

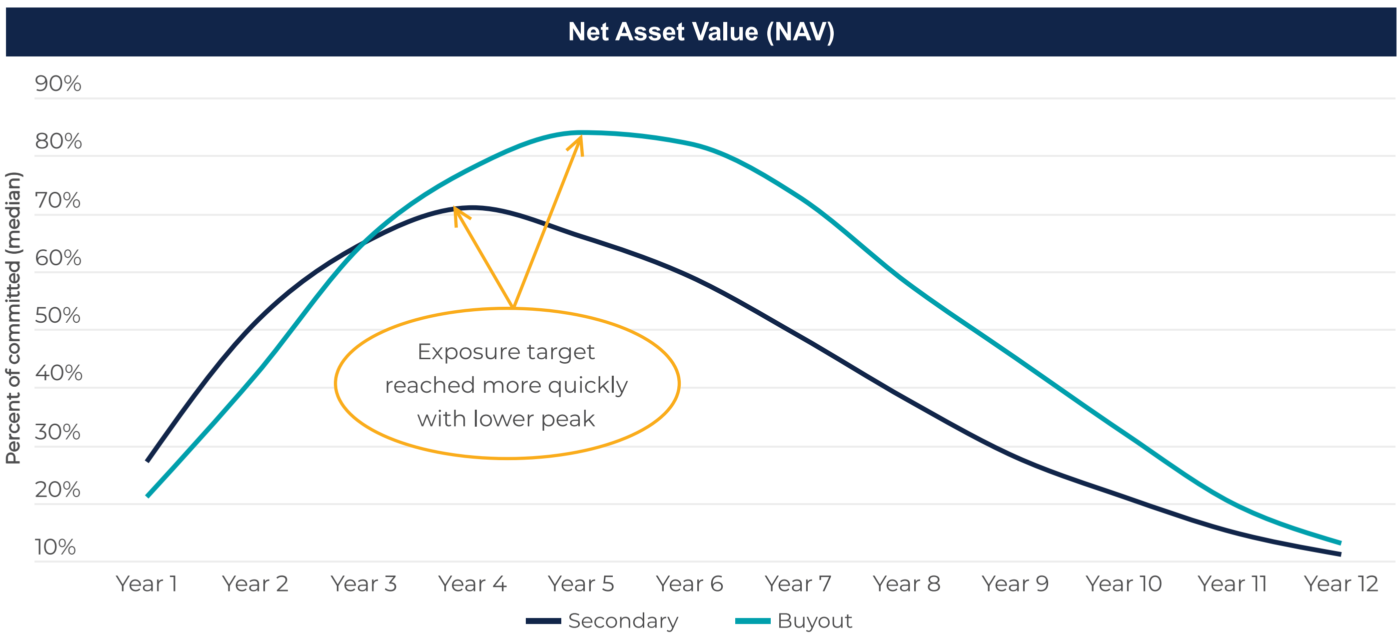
Unlike primary fund commitments, where investors commit capital before underlying investments are known, secondary investors often can evaluate existing portfolio companies, historical fund performance, manager behavior, and unrealized asset quality prior to investing. This additional transparency may help reduce investment risk and improve underwriting confidence.

3. Accelerated Portfolio Construction

Secondary buyers acquire interests in existing funds that already own underlying portfolio companies, giving investors exposure to operating businesses much more quickly. Net asset value (NAV) typically builds more quickly than in traditional buyout funds, allowing investors to reach target private equity exposure sooner and with greater predictability.

For investors seeking to establish a meaningful private equity allocation without waiting through a lengthy deployment period, this can be a significant advantage.

Exhibit 2: Secondary Strategies Typically Build Portfolio Exposure More Quickly than Traditional Buyout Funds



As of March 31, 2026. Based on median universe observations. Source: MSCI Private Capital Solutions

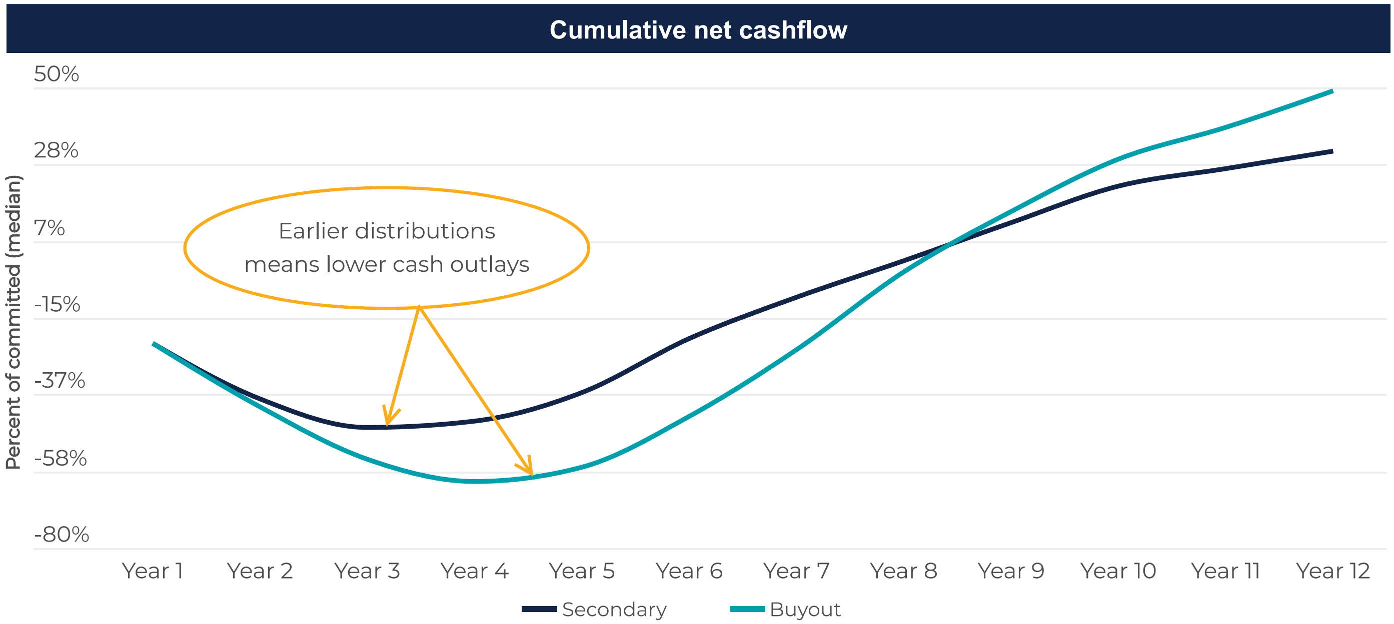
4. Earlier Liquidity and Improved Cash Flow Dynamics

Distributions in secondary funds often begin earlier than in primary funds due to the maturity of the assets they acquire. Investors may receive capital back sooner, reducing the amount of time capital remains tied up and providing greater flexibility for portfolio management and future investment opportunities.

One of the most compelling consequences of these earlier distributions is improved capital efficiency.[1]

1. CVC, *Secondaries in the Spotlight: A Strategic Approach to Private Markets*, November 26, 2025.

Exhibit 3: Secondary Funds Historically Require Less Capital at Risk

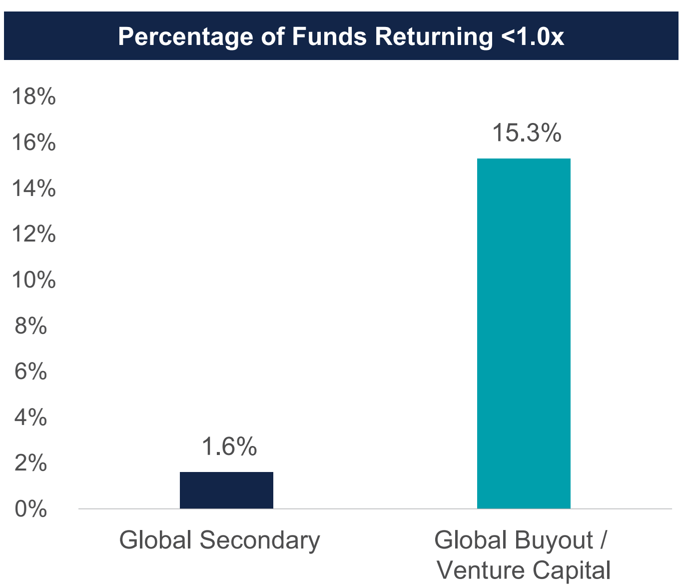


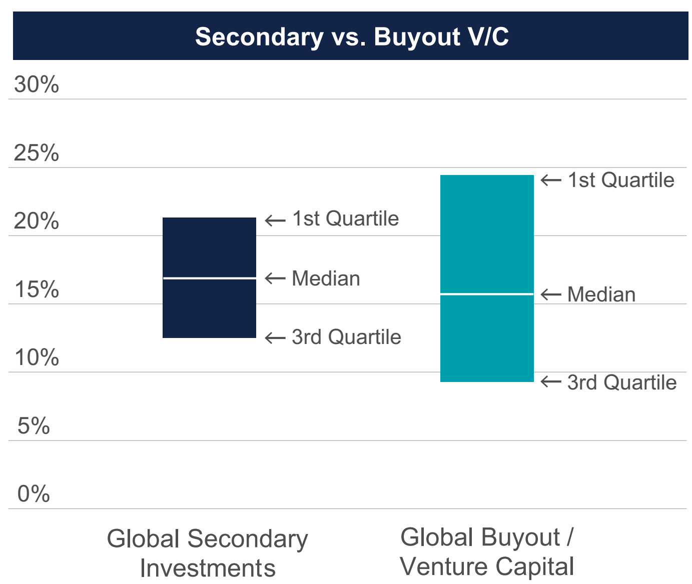
As of March 31, 2026. Based on median universe observations. Source: MSCI Private Capital Solutions

5. A Compelling Risk-Return Profile

Historical industry data shows that secondary funds have delivered a complementary balance of attractive returns and downside protection compared to other private equity strategies.

Exhibit 4: Historically, Secondary Funds Have Combined Attractive Returns with Lower Downside Risk





Source: Preqin, as of December 31, 2024. Data run as of February 2025. Data is based on all vintage funds from Preqin's database of 4,000+ private equity funds, including 410 secondary funds. This industry data reflects the fees, carried interest, and other expenses of the funds included in the data set. The fees, carried interest, and other expenses borne by investors in a HarbourVest fund / account may be higher or lower than the fees and expenses of the funds reflected in the data set.
Past performance is not a reliable indicator of future results.

While secondary funds can pose a significantly lower risk of capital loss, their median returns on an IRR basis marginally outpace those of other private equity strategies, giving the asset class a distinctive asymmetric risk/return profile.

Conclusion

Private equity secondaries offer investors a differentiated path to building meaningful exposure to the asset class with immediate diversification and accelerated portfolio construction, resulting in a meaningfully reduced J-curve with line of sight to early liquidity. These benefits are underpinned by a compelling risk-return profile that has historically delivered strong performance with lower loss ratios than traditional buyout or venture capital strategies.

Whether deployed as an efficient entry point for investors new to private equity or as a complementary allocation within a mature portfolio, we believe secondaries should form a core part of investors' private markets strategy.

HarbourVest is an independent, global private markets firm with 40+ years of experience and more than $167.9 billion assets under management as of June 30, 2026. Our interwoven platform provides clients access to global private equity, real assets and infrastructure, and private credit.

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