

Secondary Liquidity for Private-Credit Funds: NAV Sales, Tender Offers and Continuation Structures

A Decision Framework for Duration Mismatch, Investor Liquidity and Portfolio Value

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Abstract

Closed-end private-credit funds are designed to hold illiquid loans against long-dated capital. That alignment can weaken when loan extensions outlast the vehicle, realisations slow, limited partners seek cash, portfolio companies require follow-on support or fund-level facilities approach maturity. The manager then faces several distinct choices: sell loans, organise a tender for fund interests, transfer assets into a continuation vehicle, obtain structured liquidity against the portfolio, or combine those measures. Each route solves a different liquidity problem and transfers value, risk and control in a different way.

This paper develops a decision framework for secondary liquidity in private-credit funds. It begins with a liquidity diagnosis that separates asset-level cash timing, fund-level obligations and investor-level preferences. It then compares four principal routes: portfolio or single-asset sales, LP-led or manager-facilitated tender offers, continuation structures and fund-level preferred or debt capital. The analysis connects transaction choice to portfolio segmentation, valuation, conflicts, consent rights, leverage capacity, cash allocation, servicing continuity and the treatment of rolling and selling investors.

A hypothetical fund illustrates the method. The author assumes a closed-end direct-lending fund with USD 1.20 billion of reported net asset value, USD 150 million of available cash and undrawn facilities, USD 330 million of expected liquidity requests and obligations over eighteen months, and a portfolio with differing credit quality and duration. Four transaction routes are compared under base, delay and downside cases. These figures are analytical assumptions. They are not observed fund data, market quotations, transaction terms, probabilities or forecasts. The analysis concludes that a credible liquidity transaction starts with the decision it must enable, makes the value transfer visible, preserves servicing and workout capability, and gives every affected investor enough information and time to choose.

JEL Classification: G11, G12, G23, G24, G32

Keywords: private credit, secondary liquidity, loan portfolio sale, tender offer, continuation vehicle, NAV finance, fund liquidity, valuation, conflicts, limited partners

1. Define the liquidity problem before choosing the transaction

Private-credit funds can appear liquid in an accounting sense while remaining unable to distribute cash when investors expect it. Reported net asset value represents an estimate of the value of underlying assets. It does not show when cash will arrive, whether that cash is available for

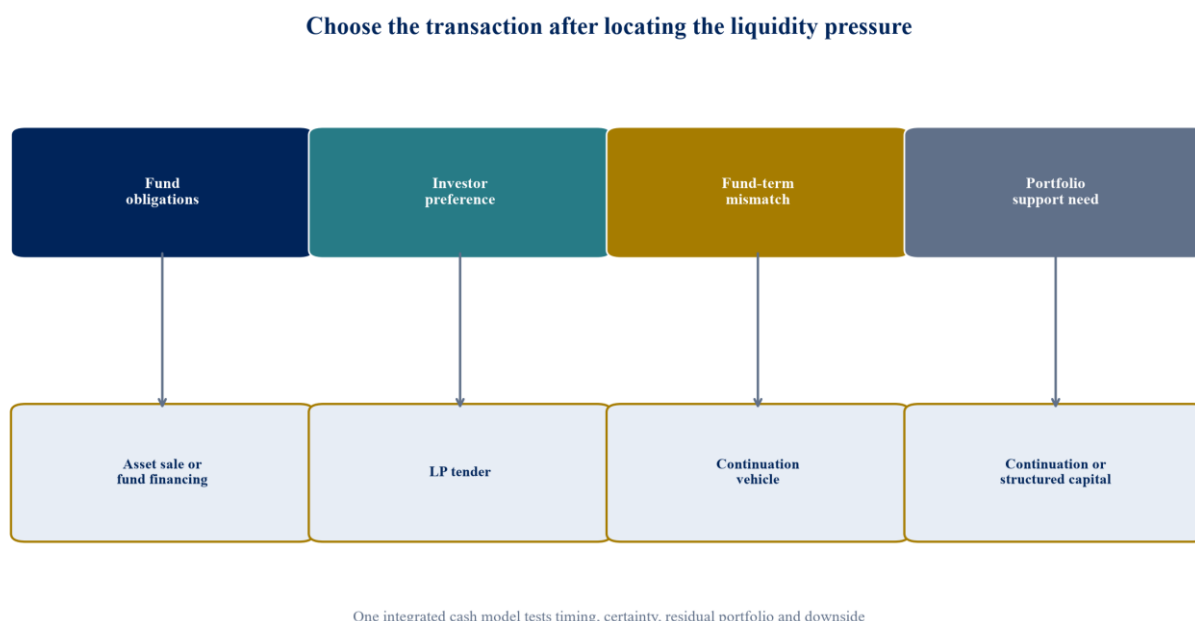
distribution, or how much value would survive an accelerated sale. The first task is therefore to define the amount, timing, legal priority and purpose of the required liquidity.

Traditional closed-end private-credit structures reduce maturity transformation because investors commit capital for a term that broadly corresponds with the lives of the loans. The International Monetary Fund observes that this design can limit redemption pressure even though the underlying loans are illiquid and the secondary market is still developing [1]. The protection can erode when maturities extend, amendments defer cash interest, exits slow, follow-on funding consumes reserves or investor expectations diverge from contractual fund life. Semi-liquid vehicles introduce a further challenge because periodic liquidity features create recurring calls on a portfolio that may not generate comparable cash on demand [2].

The diagnosis should distinguish five needs. First, the fund may need cash to meet expenses, facility maturities or hedging obligations. Second, it may need capacity to protect or restructure borrowers. Third, investors may seek partial or full liquidity even though the vehicle remains solvent. Fourth, the legal fund term may be approaching its end while assets still have value beyond that date. Fifth, the manager may want strategic capital for a portfolio acquisition or a new investment programme. These needs cannot be treated as one generic funding gap.

The required output is a dated liquidity schedule rather than a headline amount. It should identify minimum operating cash, known obligations, prudent downside reserves, expected contractual receipts, assumptions about prepayment and extension, and the date by which each shortfall must be addressed. A transaction is suitable only if its cash certainty and execution timetable fit that schedule.

Figure 1. Liquidity diagnosis from source of pressure to transaction route



The route follows the decision need; several routes may be combined when pressures arise at different levels.

2. Build one integrated sources-and-uses model

Liquidity planning often fails because teams model assets, facilities and investor distributions separately. A fund-level solution needs one cash model that reconciles all three. Sources should include cash on hand, contractual interest, amortisation, likely prepayments, asset-sale proceeds, facility availability, investor subscriptions where permitted and capital contributed to a continuation vehicle. Uses should include operating expenses, management obligations, hedging and tax, facility interest and repayment, borrower follow-on commitments, workout funding, transaction costs and distributions.

Every source needs a confidence category. Contractual cash due from a performing borrower is different from a forecast refinancing. A signed asset sale with limited conditions is different from an indicative bid. Undrawn facility capacity is different from capacity that would disappear after a valuation decline or covenant breach. The model should show both gross availability and dependable availability after conditions, haircuts and reserves.

The Financial Stability Board has highlighted the growing connections among private-credit funds, banks, insurers and private-equity sponsors, together with vulnerabilities involving leverage, liquidity, concentration and data gaps [3]. These connections matter at the transaction level. A bank may provide fund leverage while also financing a purchaser. An insurer may be an existing limited partner and a prospective buyer. A sponsor may influence borrower amendments that affect valuation. The integrated model should therefore show counterparty concentration and conditionality, not only cash totals.

Stress cases should be designed around events that change liquidity decisions. Relevant cases include slower repayments, wider discount margins, non-accrual migration, covenant cures, a delayed secondary closing, reduced facility advance rates and higher hedging collateral. Management should be able to see which obligation becomes binding first, how much time remains and which transaction route preserves the best alternatives.

3. Segment the portfolio by cash behaviour and transferability

A private-credit portfolio should not be divided simply into performing and non-performing assets. Secondary liquidity depends on how each exposure behaves in cash, documentation and transfer. A loan can be creditworthy yet difficult to sell because of consent restrictions, confidentiality, small position size or bespoke economics. A challenged loan can attract specialist buyers if information, control rights and workout strategy are clear.

The portfolio should be segmented across four dimensions. Cash behaviour covers contractual yield, cash versus payment-in-kind interest, amortisation, expected prepayment and follow-on needs. Credit condition covers enterprise-value support, covenant headroom, sponsor behaviour, collateral, documentation and recovery path. Transferability covers assignment, borrower or agent consent, minimum holdings, voting thresholds, confidentiality and regulatory restrictions. Strategic value covers the manager's information advantage, workout capability, relationship value and potential upside from holding longer.

This segmentation supports a practical perimeter. Assets with strong price discovery and clean transfer mechanics may fit a competitive portfolio sale. Assets whose value depends on the incumbent manager's servicing, restructuring or sector expertise may fit a continuation structure. A concentrated exposure may justify a single-asset process. Assets that are sound but temporarily

illiquid may support carefully structured fund-level financing, subject to leverage and conflict constraints.

The perimeter should also preserve portfolio integrity. Selling only the most liquid and highest-quality loans can leave existing investors with a smaller, weaker and more concentrated residual pool. Selling only challenged assets can produce an unacceptable discount. A transaction committee should test the residual fund against concentration limits, facility eligibility, expected cash generation, management capacity and the ability to treat remaining investors fairly.

Table 1. Portfolio segmentation for secondary-liquidity design

Segment	Cash and credit profile	Transfer considerations	Likely route
Seasoned performing	Stable cash yield, demonstrated payment record, moderate remaining life	Standard assignment and reliable data tape	Competitive loan or portfolio sale
Long-duration performing	Sound credit, limited near-term amortisation, extension risk	Buyers require duration and refinancing analysis	Sale, continuation vehicle or structured liquidity
Amend-and-extend	Reduced current cash, sponsor support may continue, value depends on revised plan	Consent, intercreditor and control rights are central	Specialist sale or manager-led continuation
Concentrated strategic	Material share of fund value, information-intensive, upside depends on active management	Limited buyer universe and high diligence burden	Single-asset continuation or bespoke syndication
Workout	Non-accrual or impaired, uncertain timing, recovery depends on control and funding	Litigation, enforcement, confidentiality and servicing continuity	Specialist transfer or ring-fenced continuation
Restricted transfer	Credit may be sound, but assignment or disclosure is constrained	Borrower, agent, regulator or co-lender approval required	Tender at fund-interest level or delayed transfer structure

The categories are decision fields rather than valuation conclusions.

4. Establish a transaction valuation bridge rather than relying on reported NAV

Reported NAV is a starting reference. A liquidity transaction requires an exit-price analysis for the precise asset, interest and timing being transferred. IFRS 13 defines fair value as the price received to sell an asset in an orderly transaction between market participants at the measurement date [4]. The valuation must reflect current market assumptions, including credit, liquidity, duration and non-performance risk. A fund's quarterly mark may use a consistent methodology while still differing from the price available for a block sale or a time-constrained process.

The bridge should reconcile reported value to transaction value in visible components. Those components can include movement in benchmark rates, credit spread, borrower performance, cash received since the valuation date, accrued interest, payment-in-kind balances, expected loss, optionality, transfer costs, concentration, size, information quality and the buyer's required return. A single unexplained discount to NAV hides where value is being transferred and makes governance harder.

The Financial Conduct Authority's 2025 review found that robust private-market valuation processes showed independence, expertise, transparency and consistency. It also identified conflicts connected with asset transfers, secured borrowing, redemptions and subscriptions, and encouraged firms to define triggers for ad hoc valuations [5]. A secondary process is precisely the kind of event that can require an ad hoc review. The valuation date, information set and responsibility should be fixed before bids are compared.

Private debt valuation requires attention to the unit of account. A whole-loan sale can change control and recovery economics. A minority participation may retain servicing or counterparty exposure. A fund-interest tender transfers a share of the entire vehicle, including reserves, liabilities and governance rights. A continuation structure can change fees, carry, term and concentration. Each route therefore needs a valuation bridge that matches the actual interest being transferred.

5. Route one: sell loans or a defined portfolio

An asset sale is the most direct route from illiquid credit to cash. It can deliver a clean reduction in duration and concentration, create observable price evidence and simplify an approaching fund wind-down. It works best when the perimeter is well documented, borrower information can be shared lawfully, transfer consents are manageable and sufficient buyers can assess the assets on the available timetable.

The process begins with an auditable data tape. Required fields usually include principal, cash and payment-in-kind interest, maturity, amortisation, covenants, collateral, guarantees, ranking, borrower and sponsor concentration, historic amendments, payment history, risk rating, internal valuation, cash-flow forecast and transfer restrictions. The data tape must reconcile to legal documents, servicing systems and financial reporting. Discrepancies should be explained before buyers price them.

Portfolio sales can be structured as whole-loan assignments, participations, sub-participations or transfers through an asset-holding vehicle. The form changes legal ownership, counterparty exposure, accounting, tax, regulatory capital and servicing obligations. Legal and regulatory analysis must be performed for the relevant jurisdictions. This paper does not prescribe a universal transfer form.

Bid comparison should go beyond headline price. A lower conditionality bid can be more valuable than a higher price subject to broad diligence, financing, consents or material adverse change. The manager should compare cash at close, deferred or contingent consideration, assumed liabilities, required representations, indemnities, servicing obligations, closing certainty and the residual portfolio effect. The decision record should show why the selected bid best serves the fund under the applicable mandate.

6. Route two: organise a tender for fund interests

A tender process creates liquidity for investors who choose to sell while leaving the portfolio intact. The purchaser acquires limited-partner interests rather than individual loans. This can avoid asset-level transfer restrictions and preserve the manager's servicing strategy. It also places greater weight on fund-level diligence, unfunded commitments, facility exposure, distribution timing and the rights attached to the transferred interests.

The tender may be initiated by a buyer, facilitated by the manager, or combined with a broader recapitalisation. The design should define eligible interests, minimum and maximum size, price or pricing mechanism, proration, conditions, representations, settlement mechanics and treatment of defaulting or excused investors. Existing fund documents may restrict transfers or give the manager discretion over consent. That discretion should be exercised through a recorded process that recognises conflicts.

Information parity is central. Selling investors need enough information to assess the price; rolling investors need to understand the effect on governance, concentration and future economics; buyers need an investable diligence package. The information given to one group can differ for legitimate confidentiality or legal reasons, but the decision process should explain those differences and avoid selective disclosure that distorts choice.

A tender can solve investor-level liquidity without producing new cash for the fund. If the vehicle also faces follow-on needs, expenses or facility maturity, the tender may need to be paired with a primary capital commitment, asset sale or fund-level facility. Management should keep these uses separate so that the tender price does not conceal the cost of financing the fund itself.

7. Route three: use a continuation vehicle when active management can preserve value

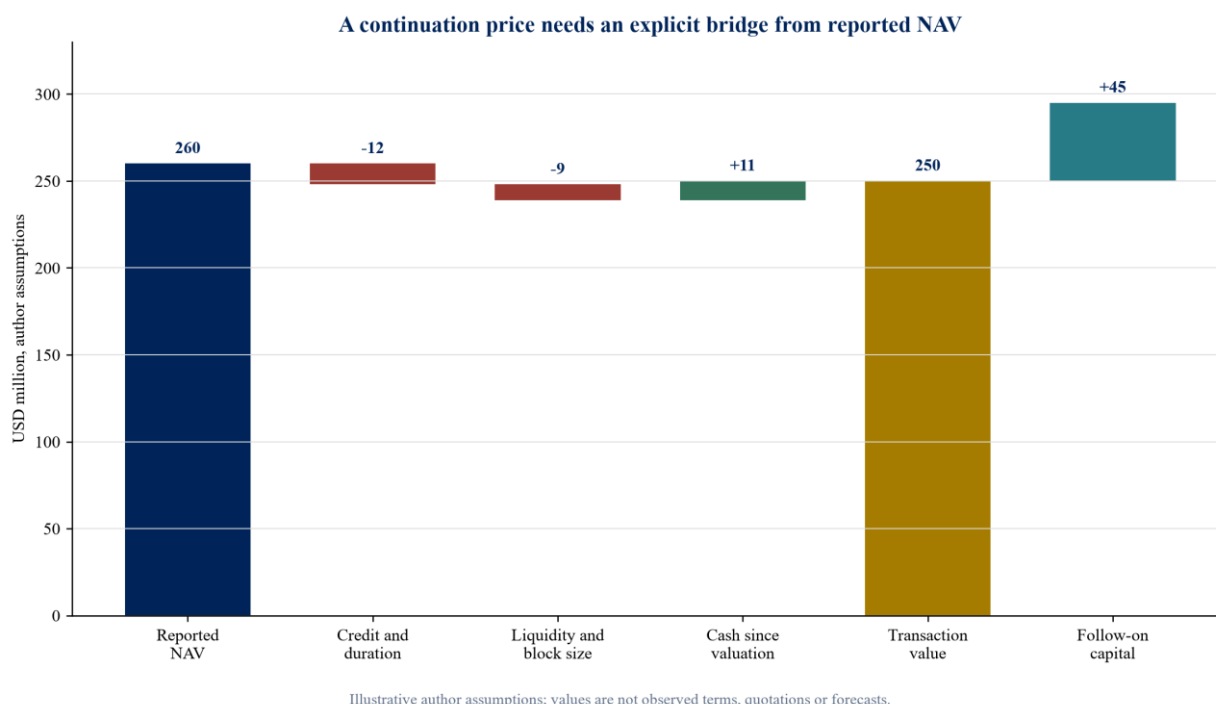
A continuation vehicle transfers selected assets from the existing fund to a new vehicle, typically with fresh capital and a renewed holding period. Existing investors may sell, roll or sometimes combine both choices. The route can preserve value when assets need time, capital or specialist management and a near-term sale would crystallise an avoidable discount. It also creates acute conflicts because the manager can influence both sides of the transaction and may receive new fees or performance economics.

The Institutional Limited Partners Association's continuation-fund guidance emphasises early engagement, conflict identification, a transparent process, disclosure of bids and economics, sufficient decision time and parity of information [6]. Its 2026 materials reflect the growing use of continuation vehicles and continuing investor focus on process quality [7]. These are industry governance standards rather than substitutes for applicable law or fund documents.

For private credit, the case for continuation should be asset-specific. Relevant reasons include a loan extension supported by credible enterprise value, a workout requiring capital and control, a portfolio whose cash flows are expected after the original fund term, or an opportunity to acquire adjacent debt at an attractive basis. A generic desire to defer loss recognition or preserve fee income is not a defensible investment case.

The continuation vehicle should have its own investment memorandum. It should state the transfer price, portfolio strategy, term, follow-on capacity, leverage, fees, carry, governance, conflicts, valuation policy, key-person protection, removal rights, reporting and exit routes. Selling and rolling investors should see the same core economic bridge. Any staple commitment, cross-fund allocation or special buyer right should be disclosed and assessed.

Figure 2. Economic bridge from existing fund NAV to continuation capital



Illustrative author assumptions; values are not observed terms, market evidence or recommendations.

8. Route four: add structured fund liquidity with explicit repayment capacity

Fund-level liquidity can take the form of a NAV facility, preferred equity, hybrid capital, a distribution-support facility or financing against a defined asset pool. It can bridge timing without selling assets, support follow-on investments or fund a controlled distribution. It also adds senior claims, covenants, cash sweeps and refinancing risk to a portfolio whose values and cash dates are uncertain.

The structure should be underwritten to cash repayment, not reported NAV alone. A lender or preferred investor needs a base case showing contractual interest, amortisation, likely realisations, expenses and required reserves. The downside case should include credit migration, delayed exits, wider discount rates and lower advance values. The manager should show which assets can generate repayment, how cash is trapped or swept, and which actions require consent.

The FSB's work on non-bank leverage stresses the need to identify, monitor and disclose leverage and counterparty risks, especially where non-banks are connected to systemically important financing providers [8]. Fund-level leverage can be economically larger than the headline facility if portfolio companies are also leveraged, hedges require collateral, or guarantees and preferred claims sit elsewhere in the structure. The decision should therefore use a consolidated obligations map.

Structured liquidity is most credible when it buys time for identifiable cash events and leaves room for adverse variation. It is weak when it funds routine distributions without a realistic repayment source, subordinates investors without adequate consent, or relies on stable NAV despite rising credit risk. A maturity wall should never be replaced with a larger maturity wall merely because current liquidity is scarce.

9. Compare routes through a common decision matrix

Transaction routes are often evaluated by different teams using different language. The sale team discusses price and certainty; investor relations discusses LP preferences; the financing team discusses leverage; the legal team discusses consent. A common decision matrix turns these perspectives into comparable criteria.

The matrix should score net cash delivered, timing, price discovery, value retained, residual risk, new leverage, governance complexity, investor choice, servicing continuity, legal consent, tax, accounting and future optionality. Scores need explanation and sensitivity. A continuation vehicle may score well on value retention and poorly on conflicts. A tender may score well on investor choice and deliver no fund-level cash. A portfolio sale may deliver cash quickly but weaken the residual pool. Structured liquidity may preserve assets but reduce future distributions through senior claims.

The matrix should also include a do-nothing or extend-the-fund route where legally available. An extension may be the least costly answer when assets are performing, obligations are modest and investors support a revised timetable. It is unsuitable when liquidity pressure is immediate or confidence has deteriorated. Including it prevents the transaction process from assuming that complexity is itself a solution.

Table 2. Secondary-liquidity route comparison

Route	Cash recipient	Principal strength	Principal value risk
Loan or portfolio sale	Fund	Direct cash and duration reduction	Sale discount and weaker residual pool
Fund-interest tender	Selling investors	Investor choice without asset transfer	Price may reflect fund opacity and unfunded obligations
Continuation vehicle	Existing fund and electing investors	Time and capital for active value preservation	Manager sits across transfer and new economics
NAV or preferred capital	Fund	Timing bridge without immediate asset sale	Senior claim, covenants and refinancing dependence
Fund extension	Fund through retained cash generation	Low transaction leakage	Delayed liquidity and continuing asset risk

Qualitative assessment; actual outcomes depend on fund documents, portfolio condition, jurisdiction and market terms.

10. Control conflicts through process architecture

Conflicts are not cured by a broad disclosure that the manager has interests. The process should identify each economic incentive, who is affected, how it could change the decision, and which control addresses it. Relevant incentives include continuation fees, crystallised carry, new carry, transaction fees, retention of assets that support future fundraising, allocation of good and weak assets, use of affiliated financing, and the treatment of investors who cannot roll.

The SEC's 2019 fiduciary interpretation describes an investment adviser's duty of care and loyalty as applying to the entire advisory relationship [9]. The SEC's specific 2023 adviser-led secondaries rule was vacated by the U.S. Court of Appeals for the Fifth Circuit in June 2024, and the Commission states that the newly adopted rule is no longer in effect [10]. The vacatur does

not make process discipline irrelevant. Applicable fiduciary duties, contractual obligations, antifraud standards and other laws still require jurisdiction-specific advice.

Controls can include a conflicts committee, independent valuation input, competitive price discovery, limited-partner advisory committee review, investor consent, independent legal advice, recusal, fee offsets and documented alternatives. Independence should be assessed in substance. A service provider paid by the manager may bring useful expertise while still having a commercial relationship that should be disclosed and overseen.

The decision record should preserve the alternatives considered, bids received, valuation bridge, committee materials, conflicts register, expense allocation, investor communications and basis for selecting the route. A well-run process makes the decision reproducible even if market conditions later change.

11. Give selling, rolling and remaining investors a usable choice

Investor choice is meaningful only when the options are economically comparable and supported by adequate information. A cash election should show price, accrued amounts, expenses, taxes, settlement timing and any holdback. A roll election should show the new vehicle's term, fees, carry, leverage, governance, concentration, follow-on capacity and exit plan. Remaining investors should understand how the transaction changes their residual portfolio and rights.

The timetable needs enough time for governance. Institutional investors may require investment committee approval, legal review, valuation assessment, tax analysis and documentation. A short election window can transfer negotiating advantage to parties with faster processes. Extensions should be governed by clear criteria and offered consistently.

Proration and allocation rules matter when demand exceeds available capital. The manager should state whether selling elections are accepted pro rata, by class, by timing or under another rule. Rolling investors should know whether their interests are scaled. Buyers should know whether minimum transaction size, concentration or financing conditions affect closing.

Communications should separate facts, management views and scenario assumptions. Valuation ranges should state their date and method. Forecast distributions should explain their dependence on borrower payments and exits. No investor should be led to treat a modelled outcome as a committed cash flow.

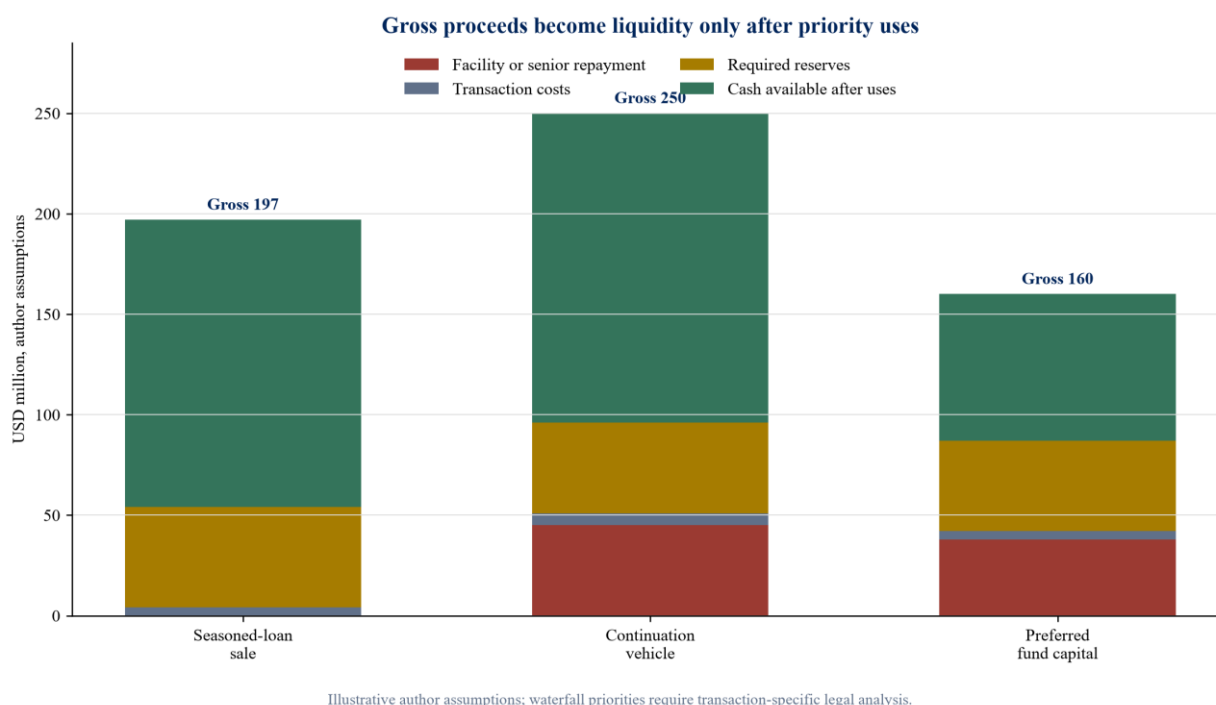
12. Design the liquidity waterfall before signing

Gross proceeds can be consumed by facility repayment, reserves, transaction expenses, taxes, indemnity holdbacks and follow-on obligations before investors receive cash. A transaction should therefore be assessed through a detailed waterfall. The waterfall identifies legal priority and makes the allocation of value visible.

For an asset sale, proceeds may first repay secured borrowings associated with the assets. For structured liquidity, cash may be trapped until tests are satisfied and then swept to the provider. For a continuation transaction, proceeds may fund selling investors while rolling interests receive units in the new vehicle. Transaction expenses may be borne by the existing fund, the new vehicle, the manager, the buyer or several parties. Each allocation creates a value transfer and should be justified.

The waterfall should be modelled under base, delay and downside cases. Delay can increase interest expense and reduce distributable cash. A downside valuation can change advance rates, covenant headroom and priority. A borrower default can redirect cash to a workout reserve. The governing documents should match the model so that there is no gap between the expected and legal waterfall.

Figure 3. Illustrative liquidity waterfall under three transaction routes



Author assumptions for method demonstration; amounts are not observed fund data, quotations or forecasts.

13. Preserve servicing, information and workout capability

Private credit is operationally intensive. Value depends on timely payment processing, covenant monitoring, borrower reporting, consent management, amendments, collateral control and workout decisions. A liquidity transaction that changes ownership without protecting these functions can destroy the value it seeks to realise.

The operating plan should state who services each asset before and after closing, how records transfer, which approvals are required, how borrower communications are handled, and how confidential information remains protected. If the incumbent manager continues servicing, the agreement should define scope, standard of care, authority, fees, termination, data access and conflict management. If servicing transfers, there should be a tested data and cash migration plan.

Workout assets require special attention. The buyer may need voting or enforcement control; the existing fund may retain exposure; other lenders may hold intercreditor rights. The parties should map decision thresholds, funding obligations, privilege, litigation control and recoveries. A price cannot compensate for an operating structure that prevents the buyer from implementing the underwritten recovery strategy.

Data quality is itself a pricing factor. A reconciled loan tape, complete document set and traceable valuation history reduce diligence uncertainty. Missing amendments, inconsistent

balances or undocumented risk ratings increase conditions and discounts. Operational readiness should therefore begin before the formal process.

14. Apply the framework to a hypothetical fund

Consider a hypothetical closed-end direct-lending fund with reported NAV of USD 1.20 billion. The author assumes USD 90 million of cash, USD 60 million of undrawn facility capacity and USD 330 million of expected needs over eighteen months. Those needs comprise USD 120 million of desired investor liquidity, USD 85 million of facility maturity and expenses, USD 75 million of committed borrower support, and a USD 50 million downside reserve. Contractual portfolio cash receipts are assumed at USD 190 million during the period, although USD 70 million is exposed to extension or credit delay.

The portfolio is divided into USD 520 million of seasoned performing loans, USD 360 million of long-duration performing loans, USD 190 million of amend-and-extend exposures and USD 130 million of concentrated or workout assets. These values are assumptions used to demonstrate the decision process. They do not describe a real fund.

The immediate dependable sources are USD 150 million of cash and facility capacity plus USD 120 million of contractual receipts after applying a prudential timing haircut. That leaves a planning shortfall of USD 60 million against the stated needs. Investor liquidity is discretionary in this example, while facility maturity and borrower commitments are binding. Management therefore prioritises the binding uses and tests a transaction large enough to deliver at least USD 145 million of net cash, preserving a reserve above the minimum shortfall.

Four routes are modelled. A portfolio sale produces high cash certainty but transfers performing assets at an assumed discount. A tender satisfies selling investors but does not fund the vehicle. A continuation vehicle delivers cash and follow-on capital but requires extensive governance. Preferred fund capital closes faster in the assumed case but creates a senior claim and a cash sweep. The combined recommendation in the example is a competitive sale of a diversified seasoned pool plus a limited tender funded by a new buyer, with the continuation option retained for the concentrated assets if performance evidence supports a longer hold.

15. Quantify value transfer and downside through scenario analysis

Transaction comparison should show more than immediate cash. The relevant measure is the present and conditional value delivered to each stakeholder after fees, financing costs, retained risk and future distributions. The model should identify which assumptions are market-derived, which are borrower-specific and which are management estimates.

In the hypothetical case, the portfolio sale is assumed to transfer USD 210 million of reported value for USD 197 million of cash before costs. The tender is assumed at 91 percent of the applicable fund-interest NAV and is funded directly by the buyer. The continuation vehicle is assumed to acquire USD 260 million of assets at 96 percent of the transaction valuation, with USD 45 million of follow-on capacity. Preferred capital is assumed to provide USD 160 million with a contractual preferred return and cash sweep. None of these terms is presented as a market benchmark.

The delay case assumes six months of additional holding cost, slower receipts and lower facility headroom. The downside case assumes credit migration, lower recoveries and wider required

yields. The sale route loses some upside but protects cash certainty. The continuation route preserves upside but exposes rolling investors to concentration and execution. Preferred capital creates the greatest claim on future cash in the downside case. The tender remains primarily an investor-level solution.

Table 3. Hypothetical route outcomes for the illustrative fund

Route	Net fund cash at close	Investor cash choice	New senior claim
Seasoned-loan sale	193	Indirect through later distribution	0
LP tender	0	100 to electing sellers	0
Continuation vehicle	239	Cash or roll election	45 follow-on capital has new economics
Preferred fund capital	160	Possible distribution after required reserves	160 plus preferred return

Author assumptions; USD millions except percentages. Figures are not observed data or market quotations.

16. Use a gated execution process

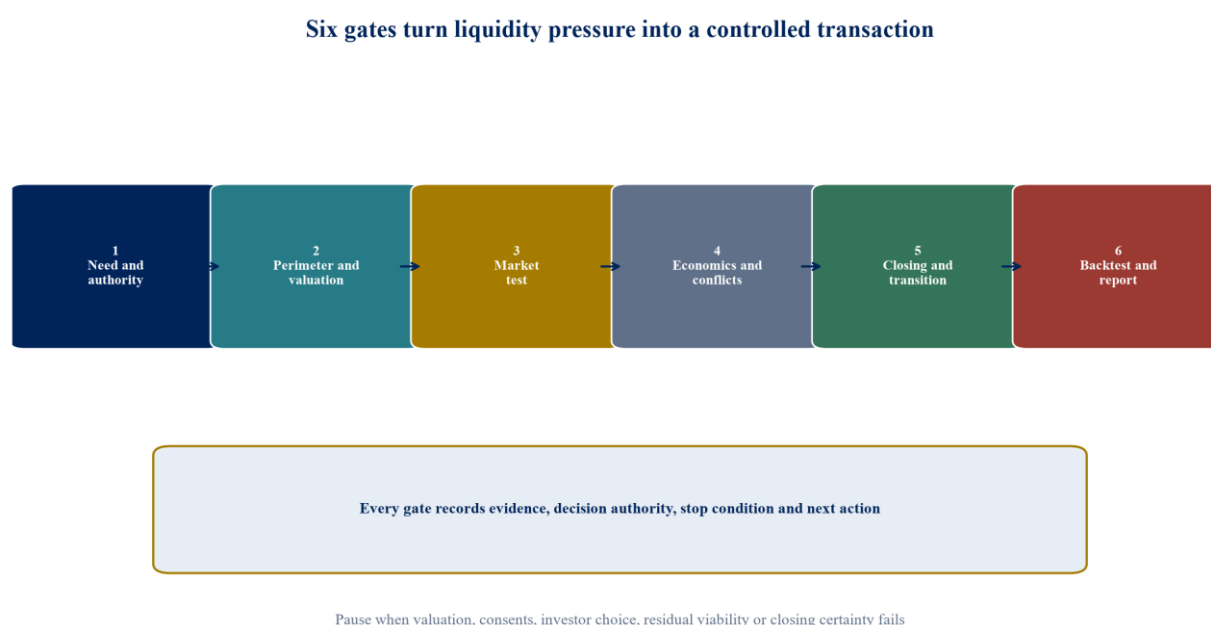
Execution should be divided into decision gates. Gate one confirms the liquidity diagnosis, authority and alternatives. Gate two approves the asset or interest perimeter, data readiness and valuation method. Gate three tests buyer appetite and transaction feasibility without committing to a conflicted outcome. Gate four approves final economics, conflict controls and investor communications. Gate five confirms closing readiness, consents, funds flow and operating transition. Gate six reviews post-close outcomes.

Each gate needs a named owner, evidence package and stop condition. A process should pause if the loan tape does not reconcile, valuation is stale, required consents are unavailable, a facility covenant would be breached, investors lack decision time or the selected route leaves the residual fund unviable. Stopping or resizing a transaction can preserve more value than closing on a weak basis.

Competitive tension should be proportionate to the assets and timetable. A broad auction may be suitable for a diversified performing portfolio. A concentrated workout may require a focused specialist process. A continuation transaction may use price discovery from third-party bids, a minority sale, an independent opinion or several methods. The decision committee should record why the chosen process is credible.

Closing should not be treated as the final gate. Management should compare realised price with prior marks, track expenses and leakage, monitor the residual portfolio, report election outcomes and test whether the transaction delivered the promised liquidity. Backtesting improves future valuation and transaction design. The FCA has identified backtesting and transparent value bridges as useful features of private-market valuation governance [5].

Figure 4. Six-gate execution path for a private-credit liquidity transaction



Every gate requires an evidence owner, decision authority and recorded outcome.

17. Prepare a 120-day liquidity-readiness programme

During the first thirty days, management should reconcile the portfolio tape, documents, cash ledger, facility terms and investor register. It should produce the eighteen-month sources-and-uses model, identify binding and discretionary uses, segment assets, map transfer restrictions and establish governance. The board or relevant committee should approve the decision need and permissible routes.

During days thirty-one to sixty, the manager should complete borrower and asset diligence, commission any independent valuation work, prepare the valuation bridge, draft the data room and identify buyer universes for each route. Legal advisers should review fund authority, conflicts, transfer, disclosure, tax and regulatory matters. Investor-relations teams should test information needs without implying that a transaction has been approved.

During days sixty-one to ninety, the manager should solicit and compare credible proposals. The comparison should use net cash, conditionality, value transfer, residual portfolio, leverage, investor choice and execution certainty. Draft documents, funds flow, servicing plans and consent paths should be developed in parallel. Conflicts and valuation committees should receive a complete record rather than isolated headline bids.

During days ninety-one to one hundred and twenty, final terms should be approved, investor materials issued, elections collected and consents completed. Closing readiness should include reconciled balances, settlement instructions, operational cutover and contingency plans. If the process cannot meet the fund's liquidity long-stop, management should activate the pre-agreed fallback before reserves become critical.

18. Convert liquidity pressure into a defensible capital decision

Secondary liquidity is a capital-allocation decision. It determines which assets remain, which investors receive cash, which risks are transferred, which claims become senior and how much future optionality survives. The quality of the result depends on diagnosis, valuation and governance before it depends on transaction form.

A portfolio sale is strongest when transferable assets can attract competitive price discovery and the residual fund remains viable. A tender is strongest when the principal problem is investor preference and the portfolio should stay intact. A continuation vehicle is strongest when active management, time and new capital can preserve value that an immediate sale would lose. Structured fund liquidity is strongest when identifiable cash flows support repayment under stress. A fund extension is strongest when obligations are manageable and investor support is real.

Managers should resist using NAV as both proof of value and proof of liquidity. Transaction value must be reconciled to current market assumptions; cash availability must be reconciled to legal priority and timing. Conflict controls need specific economic analysis. Selling, rolling and remaining investors need usable choices. Servicing and workout capability must continue across closing.

The practical standard is a transaction that can be explained in one chain: the liquidity need, alternatives considered, evidence used, value transferred, conflicts controlled, investor choices, cash waterfall, residual portfolio and post-close test. That chain supports a decision that remains credible when the market, portfolio or timetable changes.

Table 4. Board approval checklist for secondary liquidity

Decision area	Evidence required	Approval question
Liquidity need	Dated sources and uses with stress cases	Is the amount, timing and priority of cash need established?
Portfolio perimeter	Reconciled tape, transfer map and residual-fund analysis	Does the perimeter preserve a viable remaining portfolio?
Valuation	Current bridge from reported NAV to transaction value	Are price, assumptions and value transfer independently challenged?
Alternatives	Common decision matrix including extension or no transaction	Is the selected route superior for the stated decision?
Conflicts	Incentive map, mitigants, recusals and committee record	Can affected investors understand and evaluate the conflicts?
Investor choice	Cash and roll economics, timetable and allocation rules	Is each election informed and operationally usable?
Financing	Consolidated obligations, covenants and downside capacity	Can all senior claims be met without relying on stable NAV?
Operations	Servicing, data, consent and workout transition plan	Can asset control and information continue through closing?

Decision area	Evidence required	Approval question
Closing	Conditions, funds flow, expenses and fallback plan	Is net cash certain enough for the liquidity long-stop?
Post-close	Backtest, reporting and residual monitoring	Will outcomes be measured against the approved case?

The checklist supports governance and does not replace legal, regulatory, tax, accounting or investment advice.

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Chennakeshav (CK) is a corporate finance and investment banking executive with 25+ years of global experience in deal origination, structuring and execution across M&A, growth capital and corporate strategy. He has led value-creation mandates for founders, corporates and funds, bridging the boardroom view to hands-on execution and close.

His career spans Morgan Stanley, HSBC, Lloyds Banking Group, EWEC, ADQ portfolio companies and Emirates Growth Fund, across TMT, real estate, fintech, deeptech, cleantech, infrastructure and energy. He has partnered with C-suite leaders, private equity and venture funds, sovereign wealth funds and family offices to finance complex fund raises and scale-up ventures, and has led M&A due diligence, post-merger integration and business-transformation initiatives to create value.

At Matchpoint Partners he is Managing Partner, leading the firm's corporate finance, M&A and capital-raising practice. He holds an MBA from London Business School, an engineering degree from VTU and a Master of Laws (LLM, in progress) from UCL London.

An active start-up mentor, CK mentors at Techstars, DIFC FinTech Hive, Startup Grind, Founder Institute and IN5, serves as Entrepreneur Mentor in Residence (EMiR) at London Business School, and judges the Entrepreneurship World Cup.