

The evergreen advantage

Evergreen funds bring flexibility and efficiency to private markets. What difference could they make to your portfolio?

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About the report

Investor appetite for private markets continues to rise, but so too does the need for flexibility and capital efficiency. Managers are responding by introducing fund structures designed to simplify access and improve liquidity management without abandoning the long-term characteristics that define the asset class.

This report analyses the growth of evergreen strategies, the structural forces supporting their expansion and their potential role as a complement to traditional private equity programmes.

Investor demand for greater flexibility in their private markets allocations is creating space for evergreen strategies.

Evergreens' relatively low investment minimums and user-friendly features open up private markets to more individual investors.

Featuring investment upfront and reinvestment of proceeds, evergreens offer administrative simplicity and capital efficiency.

With in-built (limited) redemption mechanisms, evergreens can help investors manage liquidity.

CHAPTER 1



A new way to build portfolios

Today's investors are rethinking not just how much they allocate to private markets. They are also focusing on structuring exposure to better control pacing and liquidity.

Designed to offer investors more flexibility, evergreen funds are emerging as a complementary strategy that sits alongside their closed-ended drawdown fund exposure.

These funds are not new structures, but investors and managers are now starting to understand how their user-friendly features can fit into broader portfolios. Investor adoption is certainly picking up speed. A third of institutions are actively considering investing in private markets via evergreen funds, according to a recent Aviva Investors survey.¹ Around half of respondents expect these vehicles to play an important role in investor portfolios in the next 10 years.

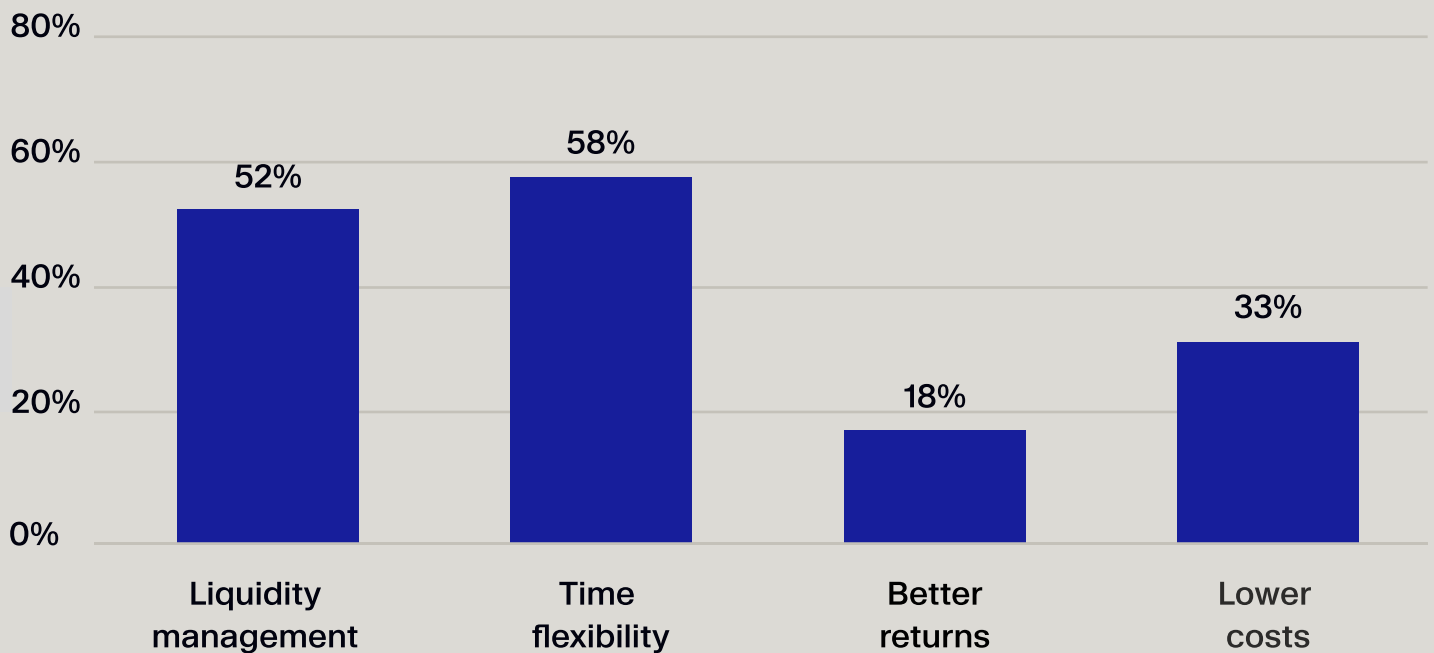
Removing liquidity barriers

Investors still value highly the illiquidity premium private markets can offer — this ranked as the second highest reason for allocating to the asset class in the Aviva survey, behind diversification of risk and returns. However, recent years' delays to exits (and therefore return of capital) have brought liquidity challenges to the fore.

The survey found that managing the liquidity needs of the overall portfolio was the biggest barrier to private markets investment, mentioned by over half of respondents. This is also true for individual investors: the Moonfare 2025 Investor Survey found that almost half of respondents were concerned about liquidity in private markets,² while 56% said the same in a Natixis survey.³

Evergreen funds, with their in-built — albeit limited — liquidity options for investors, are one way of addressing these challenges. And it's a feature many institutional investors appreciate and recognise: 52% of institutions surveyed by Germany's Bundesverband Alternative Investments (BAI) cited liquidity management as a main reason for investing in evergreens.⁴

Main reasons for investments via evergreen funds



Source: BAI investor survey 2024

Giving investors more control

Surveys also highlighted another advantage of evergreens: flexibility.⁵ In closed-ended funds, investors can only commit to managers that are raising capital. Once committed, they invest in instalments over several years as their capital is called and receive returns as and when portfolio companies are exited.

By contrast, investors access evergreens via regular subscriptions and can redeem a limited amount of capital periodically or with sufficient notice. This gives investors more control — they can adjust allocations more dynamically in response to portfolio drift or changing market conditions.

Furthermore, many investors struggle to reach or maintain allocations to private markets: a third are below target allocations to private equity, and more than two-fifths are under-

allocated to private credit and infrastructure, according to a recent Goldman Sachs survey.⁶ Evergreens' subscriptions can be particularly beneficial here since investors can invest capital upfront and gain day one exposure to a diversified portfolio of assets.

The evergreen universe is expanding

Rising demand from institutions and individuals is leading to rapid growth in evergreen strategies. More than 400 new evergreen funds launched between 2017 and 2023, while total net assets in evergreens rose from \$245 billion in 2022 to \$493 billion in 2025, according to Morningstar PitchBook.⁸

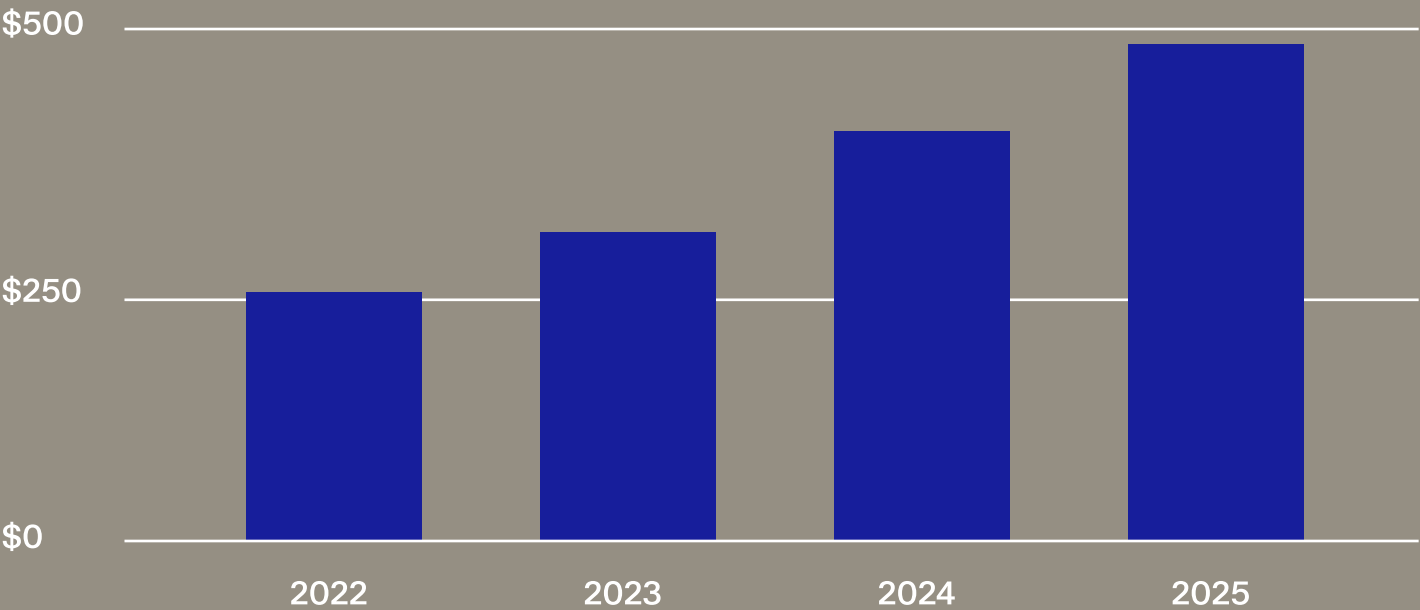
Future projections point to plenty more growth to come. Evergreen funds currently account for around 5% of overall private markets assets under management, according to Hamilton Lane, a figure it expects to rise to 20% in the next 10 years.⁹

Institutional investors are anticipating even faster expansion, with half of respondents to a recent State Street survey forecasting that at least 50% of private markets fund flows will go to semi-liquid funds in the next two years.¹⁰

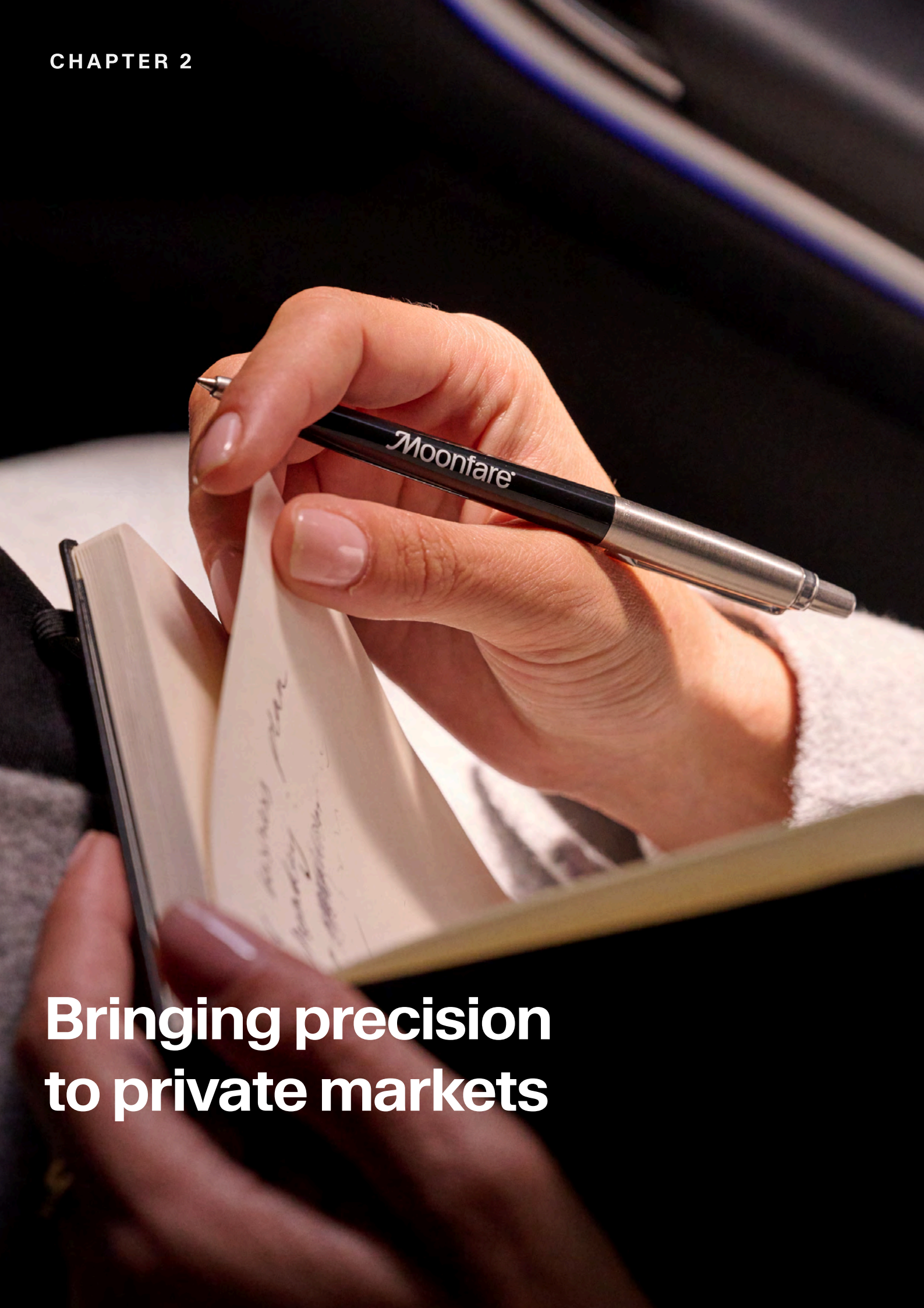
Taken together, these trends suggest evergreen strategies are moving from niche allocation to a structural component within private markets portfolios.

Evergreen funds are growing fast

Total net assets in \$bn



Source: Morningstar, Pitchbook, Moonfare 2025. Past performance does not indicate future returns.



**Bringing precision
to private markets**

Managing private markets portfolios is becoming more complex as investor portfolios mature. Evergreen funds offer a simpler way to manage that complexity.

Many investors today have overlapping commitments across several vintage years. For more recent commitments, they must hold cash to meet capital calls, while older commitments are taking longer than originally anticipated to return capital.

Between 2014 and 2017, distributions from buyouts as a percentage of net asset value (NAV) averaged 29%, yet in 2025, it stood at just 14%.¹¹ And with around \$3.8 trillion of unrealised value sitting in global buyout portfolios in 2025, the backlog will take some time to clear, despite recent uptick in exit activity.¹² For investors with self-funding private markets programmes, where distributions are designed to fund new commitments, the exit jam has been a particular headache.

Compounding benefits

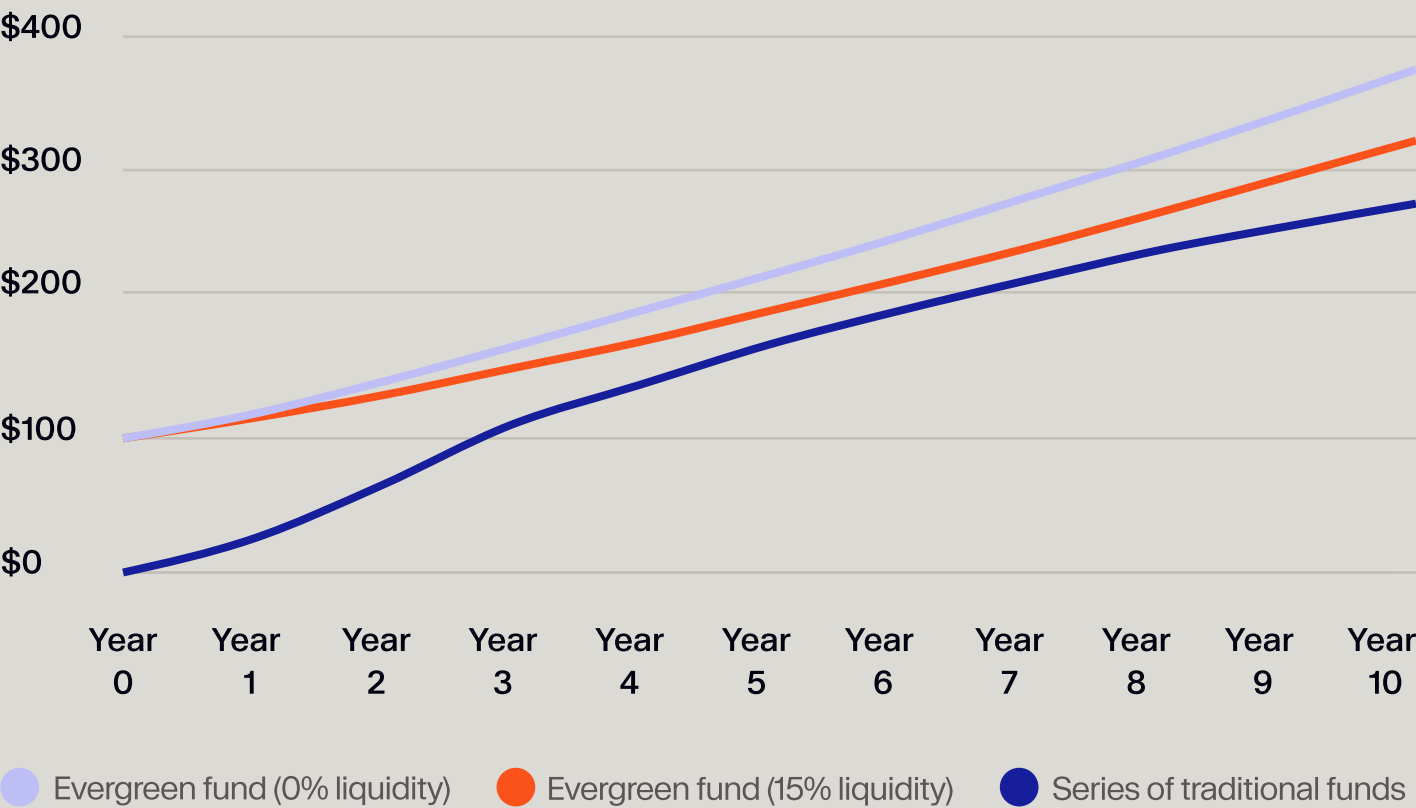
Evergreen funds can help investors mitigate some of these issues. Since investors can make regular subscriptions based on a fund's net asset value (NAV), they can plan investments with more precision. There are no unpredictable capital calls, so there is no need for investors to hold large cash buffers whose value can be eroded over time by inflation and missed yield.

Instead, evergreen funds' day-one deployment gives investors near-immediate exposure to the fund's portfolio so they can benefit from compounding returns straight away. As the chart in the next page illustrates, a \$100 commitment in a drawdown fund builds value more slowly (because it is not all invested immediately) than a \$100 investment in an evergreen fund, which can provide better capital efficiency and potentially higher multiples over longterm.¹³

Additionally, evergreen funds' redemption options allow investors to withdraw some of the proceeds as needed, potentially to fund capital calls from closed-ended fund commitments (although it should be noted that liquidity is not necessarily guaranteed and may be subject to gating, notice periods or redemption limits). When managed carefully, evergreens can therefore help investors recycle capital and smooth cash flows across their portfolio.¹⁴

Evergreen funds can improve capital efficiency

Illustrative NAV value of \$100 investment after 10 years



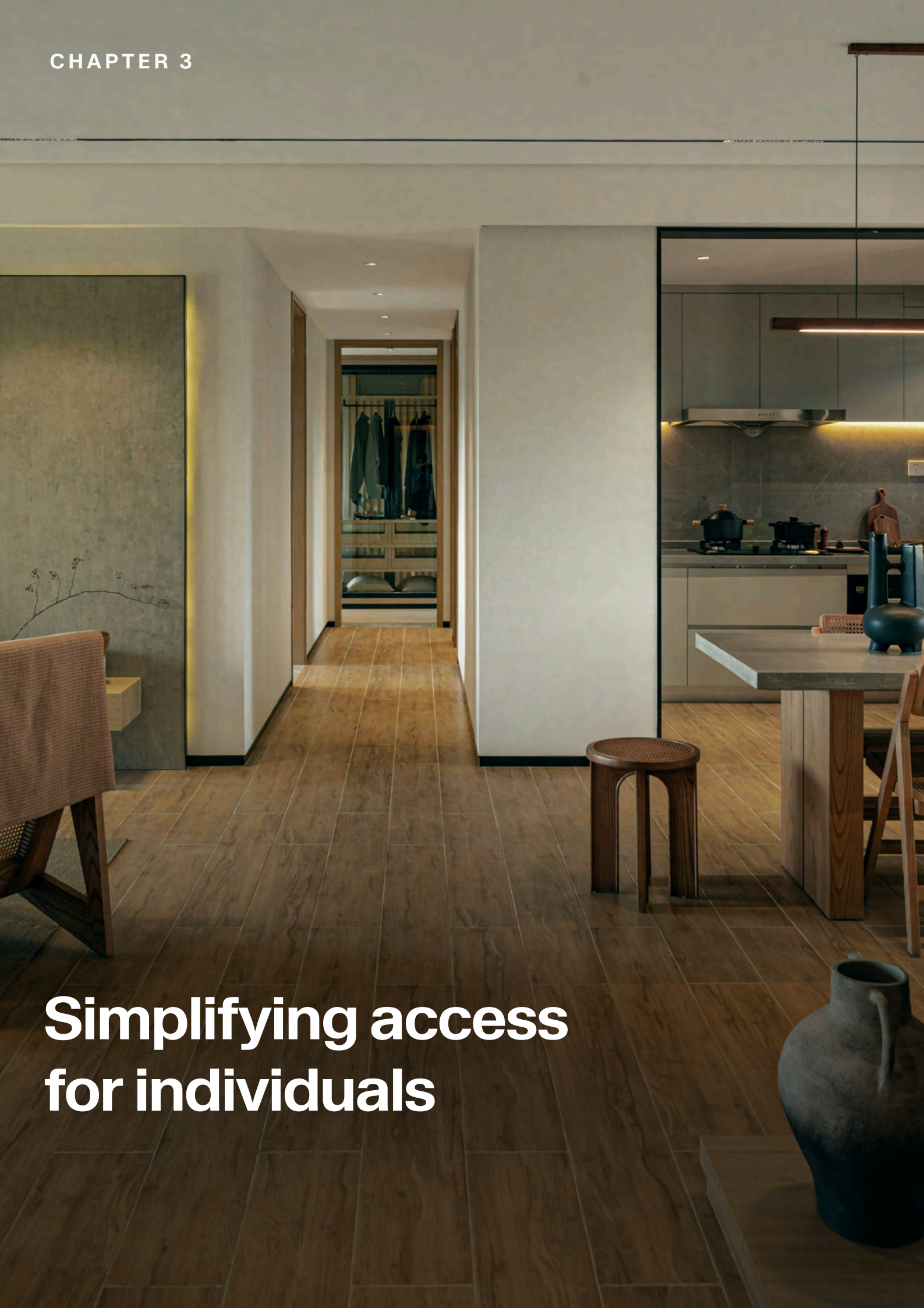
Source: Neuberger Berman, Comparing Evergreen and Traditional Fund Returns in Private Equity, September 2024

Evergreen vs drawdown funds:

What sets them apart

Understanding how evergreen and drawdown funds handle capital deployment, liquidity and cash flows can help investors choose the approach that fits their needs.

	EVERGREEN FUNDS	CLOSED-ENDED FUNDS
Fund structure	Open-ended with no fixed end date; continuously invested	Typically 10–12 year lifespan
Capital access	Investors subscribe at any time	Investors commit only during fundraising period
Capital deployment	Upfront investment with near-immediate exposure	Capital drawn down over time as investments are source
Liquidity	Redemptions permitted, typically subject to 60–90 day notice periods and gating limits	No interim liquidity; capital returned only through asset exits
Valuation	Subscriptions priced at net asset value (NAV); requires frequent valuation updates	Valuations updated periodically; capital not continuously entering/exiting
Reinvestment	Distributions typically reinvested automatically	Distributions returned to investors unless recycled
Cash flow profile	Continuous exposure with smoother cash flows	Irregular cash flows driven by capital calls and exits
Liquidity management	Notice periods, redemption gates and manager discretion to preserve portfolio stability	No redemption management required during fund life



Simplifying access for individuals

A significant pool of private wealth remains underexposed to private markets. Evergreen structures may play a key role in closing that gap.

Private wealth is growing: in 2024, the amount of capital owned by high net worth individuals (HNWIs) rose by 4.2% and the number of HNWIs also increased by 2.6%, per Capgemini figures.¹⁵

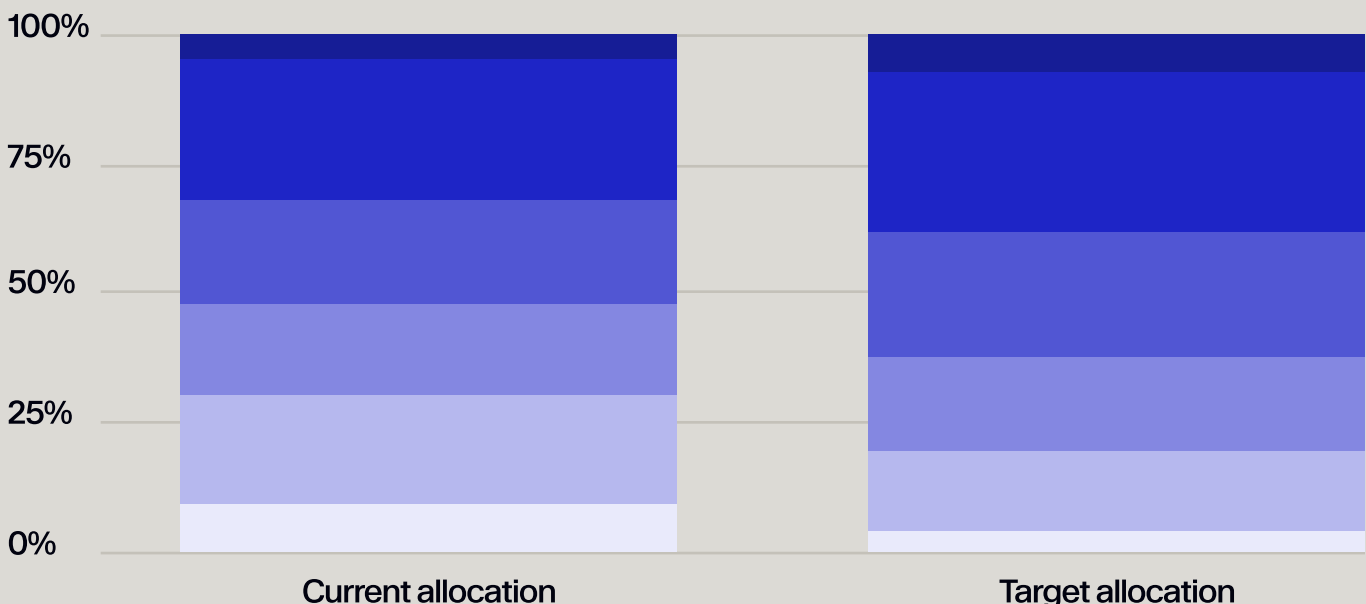
At the same time, individual investor appetite for private markets exposure is on the up: more than two-thirds of respondents to the Moonfare 2025 survey are targeting a private markets allocation of at least 16% of their portfolios.¹⁶ Yet as the chart below shows, most are currently under-allocated, suggesting significant room for further growth.

And, while individuals hold roughly the same amount of capital as institutional investors, at about \$150 trillion in 2022, just \$4 trillion was held in alternatives, according to Bain & Company, which projects that this will rise to \$13 trillion by 2032.¹⁷

Many individual investors are currently under-allocated to private markets

Q: What percentage of your current portfolio is invested in private markets / what is your target allocation?

50%+ 21-50% 16-20% 11-15% 6-10% 1-5%



Source: Moonfare Investor Survey 2025

The reasons are clear. Individual investors are diversifying their portfolios beyond public equities and bonds. This is especially pertinent at a time when public markets valuations remain high (the S&P 500 has risen by over 75% in the past five years).¹⁸ This, combined with the fact that value is increasingly concentrated in a handful of large technology company stocks, especially in the US,¹⁹ makes it challenging for individuals to create a sufficiently diversified portfolio.

Much as their institutional counterparts have done over recent decades, individuals are now broadening their asset allocations to gain differentiated sources of returns and income. It's a trend that wealth advisors are tapping into: in a recent Hamilton Lane survey, 86% said they were planning to increase private market allocations for their clients.²⁰

Low administrative burden

Evergreen funds are supporting this growth by providing individual investors with a straightforward and intuitive entry point to private markets with relatively low investment minimums. Unlike closed-ended funds, evergreen investors' administrative burdens are low. Since investors subscribe to evergreen funds and invest upfront, there is no need to manage capital calls or cash flows — in effect, investors are outsourcing this to the fund manager.

As we've noted, immediate exposure to an evergreen fund's portfolio improves capital efficiency as returns start compounding earlier than in a drawdown fund. Evergreen funds also reinvest proceeds from realisations into new investments. This provides ongoing and continuous exposure that adds to the compounding effect and makes it easier for investors to maintain target allocations.

Diversification benefits

Evergreens also help investors build diversified portfolios relatively quickly. Evergreen strategies range from single portfolio exposure to multi-asset and/or multi-manager funds,

but most include investments of different maturities, which mitigates the risk of having exposure concentrated in just a few vintage years.

Overall, evergreen funds' features are more aligned with the way individual investors manage cash and seek to build and rebalance portfolios. They are also closer to the way individuals tend to think about returns. Internal rates of return (IRRs), used in drawdown funds, are not as relevant for evergreens because fund cash flows tend to vary less over time; annualised returns and multiple on invested capital (MOIC) are more familiar and comparable performance measures for many individual investors.

Serving all investor needs

That said, evergreen structures can support different objectives across the investor spectrum.

For newer private markets investors, evergreen funds can offer an accessible entry point into the asset class. Immediate exposure to diversified portfolios and a simpler administrative structure — without capital calls — can make it easier to begin building private markets allocations.

For more experienced investors, evergreen vehicles can serve as a portfolio management tool. They can help maintain continuous exposure by redeploying distributions from other funds, manage target allocations more precisely and provide a diversified core holding alongside more targeted investments in traditional drawdown funds.

Evergreen structures are emerging as a practical way for individuals to build and maintain private markets exposure.

Managing risk in evergreen funds

Like every other investment, evergreens carry some risks. However, there are ways of managing them.

WHAT TO CONSIDER BEFORE INVESTING

Gating

Managers may limit how much capital investors can withdraw during a given period.

Liquidity mismatch

Underlying assets in evergreen funds are still illiquid, while redemption requests can arise at regular intervals.

Cash drag

Holding capital in cash to meet redemptions can dampen returns.

Valuation inaccuracy

Investors enter and exit evergreen funds based on NAV.

Portfolio quality risk

Weaker assets can make a portfolio less resilient to economic cycles.

HOW MANAGERS ARE MITIGATING RISKS

Gating helps to prevent forced asset sales at poor prices and can protect remaining investors.

Evergreen funds manage liquidity via withdrawal notice periods (of between 60 and 90 days), redemption gates and by removing reliance on inflows to meet redemption requests.

Managers use cash alternatives to ensure investor capital is deployed efficiently, including credit facilities, alongside placing some cash in low-risk, high liquidity assets.

To ensure timely and fair valuations, some managers are using third-party, independent parties to value fund assets and/or to validate the manager's marks.

Manager selection matters as much as, if not more than, in traditional private markets funds since evergreens are operationally more complex to manage.

Secondaries help lay the foundation for evergreen growth

By Philip Meschke, Director, Head of PE Investment

Secondaries transaction volume reached a record \$240 billion in 2025 and is projected to climb to \$300 billion in 2026.²¹ That pace of growth is creating a meaningful structural tailwind for evergreen strategies.

In our view, secondaries and evergreens fit naturally together. By acquiring portfolios of existing LP fund interests, evergreen managers can put new capital to work more quickly than in many other private markets strategies. Investors gain rapid exposure to diversified portfolios spanning multiple vintage years, managers and often strategies or regions.

Because secondaries typically involve more mature assets, they tend to return capital sooner than primary investments, offsetting the cash drag from the fund's liquidity sleeve, while generating more immediate returns.

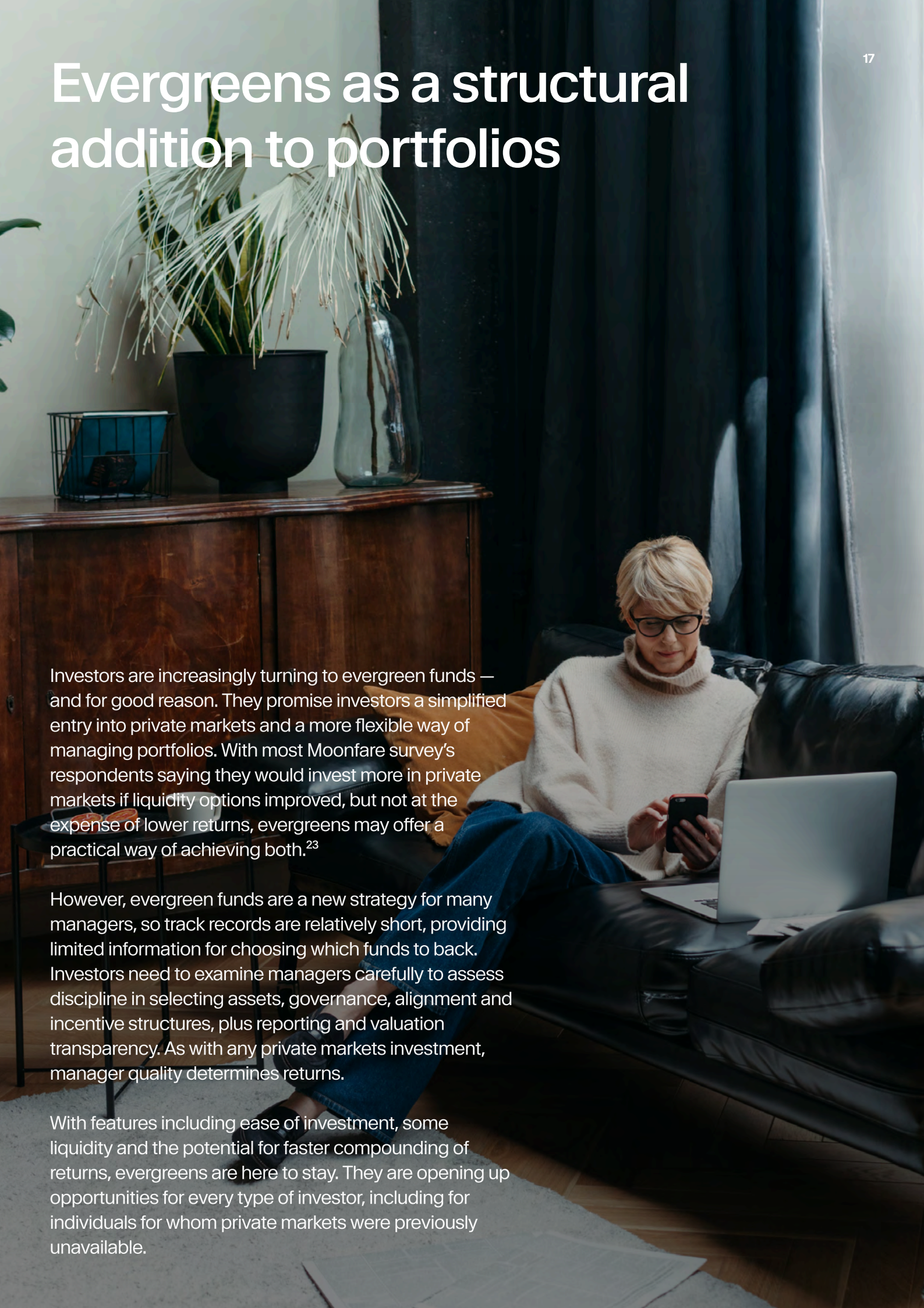
Earlier distributions give managers additional flexibility to meet redemption requests, while reducing the need to hold large cash buffers that can dilute returns. Those earlier cash flows can also be reinvested, potentially accelerating the compounding effect that is central to evergreen structures.

Alongside traditional LP-led deals, many evergreen funds are also increasing their allocation to GP-led transactions, which now represent roughly half of the secondaries market. Although GP-leds are less diversified and have distinct liquidity characteristics, they often involve high-quality, well-performing assets. They can offer more targeted exposure,

visibility and typically faster capital returns than primary fund investments. A Lazard survey found that around a quarter of evergreen managers expected to increase GP-led allocations in 2025 compared with 2024.²²

“Secondaries have fast become a mainstream strategy in their own right. When harnessed within evergreen funds, they could unlock even greater potential for individual investors.”

Evergreens as a structural addition to portfolios



Investors are increasingly turning to evergreen funds — and for good reason. They promise investors a simplified entry into private markets and a more flexible way of managing portfolios. With most Moonfare survey's respondents saying they would invest more in private markets if liquidity options improved, but not at the expense of lower returns, evergreens may offer a practical way of achieving both.²³

However, evergreen funds are a new strategy for many managers, so track records are relatively short, providing limited information for choosing which funds to back. Investors need to examine managers carefully to assess discipline in selecting assets, governance, alignment and incentive structures, plus reporting and valuation transparency. As with any private markets investment, manager quality determines returns.

With features including ease of investment, some liquidity and the potential for faster compounding of returns, evergreens are here to stay. They are opening up opportunities for every type of investor, including for individuals for whom private markets were previously unavailable.

ENDNOTES

1. [Aviva Investors \(2026\)](#)
2. [Moonfare \(2025\)](#)
3. [Natixis Investment Managers \(2025\)](#)
4. [BAI \(2024\)](#)
5. [Aviva Investors \(2026\)](#)
6. [Goldman Sachs Asset Management \(2025\)](#)
7. [Hamilton Lane \(2025\)](#)
8. [Morningstar \(2024\)](#)
9. [Hamilton Lane \(2025\)](#)
10. [State Street \(2025\)](#)
11. [Bain & Company \(2026\)](#)
12. [PitchBook \(2025\)](#)
13. [Neuberger Berman \(2024\)](#)
14. [Moonfare \(2024\)](#)
15. [Capgemini \(2025\)](#)
16. [Moonfare \(2025\)](#)
17. [Bain & Company \(2023\)](#)
18. [Google Finance \(2026\)](#)
19. [Russell Investments \(2024\)](#)
20. [Hamilton Lane \(2026\)](#)
21. [Jefferies \(2025\)](#)
22. [Lazard \(2025\)](#)
23. [Moonfare \(2025\)](#)

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