Global Trust Company

The Evolution of Evergreen Funds: Unlocking Private Markets for a New Generation of Investors

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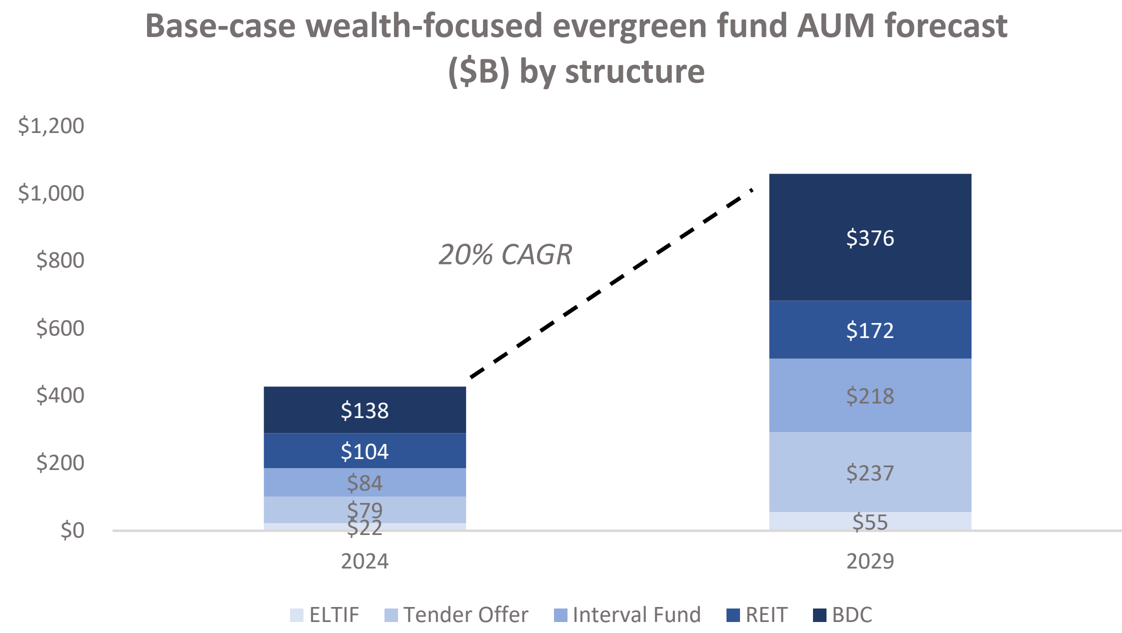
Private markets have long been less accessible to the broader investing public. Traditionally defined by the drawdown model—characterized by fixed fundraising periods, capital calls, and limited liquidity—these investment strategies were built for institutional investors with long-term horizons and sophisticated back offices. But that paradigm is changing.

In recent years, the private markets landscape has opened up to a new and powerful capital source: individual investors. Historically under allocated to private markets, this segment is now being actively targeted by general partners (GPs) who recognize both the depth and the durability of this growing private wealth channel. In parallel, evergreen fund structures—vehicles that offer continuous fundraising, periodic liquidity, and streamlined investor operations—are emerging as the gateway through which private capital is becoming more reachable.

A New Chapter in Private Capital

The rise of evergreen funds marks one of the most significant structural evolutions in private market investing in decades. These vehicles have grown from a niche innovation to a formidable force, with private wealth-focused evergreen funds reaching $427 billion in assets under management (AUM) by the end of 2024. That figure is expected to more than double over the next five years, with base-case projections suggesting AUM will exceed $1.1 trillion by the end of 2029—representing an annualized growth rate of 20%.

This rapid ascent reflects more than just investor appetite; it signals a reimagining of how private market exposure can be delivered, particularly for individuals and retirement plan participants who demand flexibility, transparency, and simplicity without compromising access to top-tier opportunities.



Source: Pitchbook – US and Europe. Forecasts as of April 14, 2025

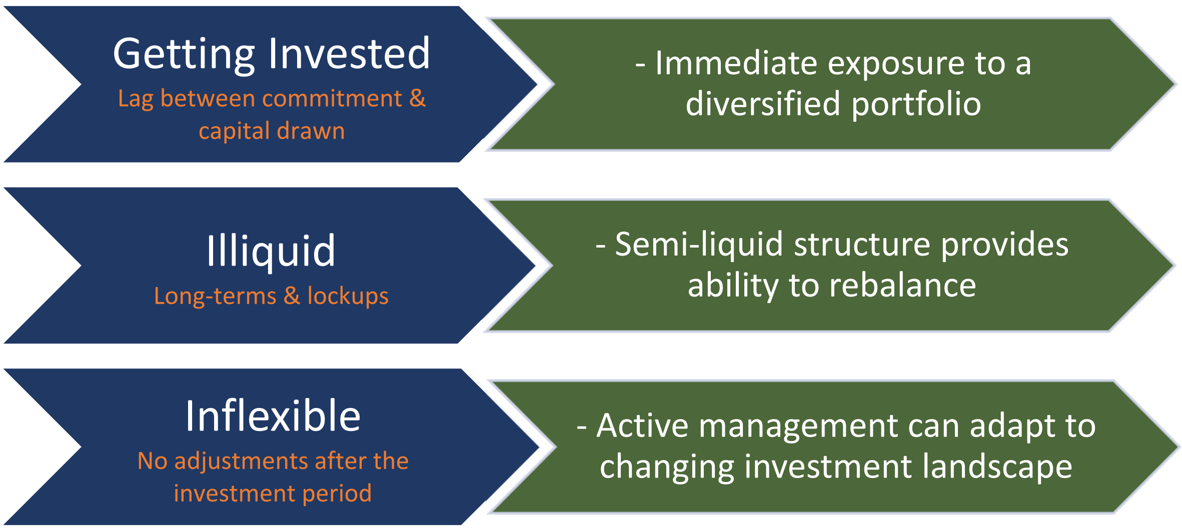
Why Evergreen? The Appeal for Investors

At its core, the evergreen model offers a blend of the best features of mutual funds and private equity funds, removing many traditional obstacles to private market investing. For the individual investors, in particular, these vehicles offer a compelling set of advantages:

1. **Flexible Commitment:** Investors can make a single allocation and increase or reduce exposure over time—without waiting for a successor fund. This also allows for rebalancing across asset classes.
2. **Consistent Exposure:** Unlike vintage-based funds, evergreen vehicles help investors maintain a steady level of exposure throughout the life of the investment.
3. **Automatic Reinvestment:** Cash flows from exits are automatically reinvested, enabling compounding over time without manual intervention.
4. **J-Curve Mitigation:** By maintaining a seasoned and diversified portfolio, evergreen funds reduce the traditional J-curve and cash drag seen in closed-end funds.
5. **Operational Efficiency:** Evergreen structures minimize administrative burdens through capital recycling and provide a core/satellite role in portfolios.
6. **Simplified Due Diligence:** Investors evaluate a single vehicle rather than underwriting multiple vintages, streamlining the decision-making process.

Closed-end Fund Challenges vs Total Return Fund Solution

Benefits of the evergreen structure



Considerations for Evergreen Fund Investing

Despite their appeal, evergreen funds are not without complexity. Their unique structure requires a thoughtful, disciplined approach to ensure long-term success for both investors and fund sponsors. Key considerations include:

1. **Liquidity Management:** Perhaps the most critical pillar of evergreen fund success. Illiquid assets cannot be easily sold to meet redemptions. Therefore, robust liquidity planning—including cash flow forecasting, stress testing, credit facilities, and redemption gates—is essential to protect investor capital and maintain stability.
2. **Disciplined Fundraising:** Fast growth can dilute returns if capital outpaces investment opportunities. A prudent fundraising cadence—aligned with deal flow capacity—is vital to preserving returns and maintaining diversification for existing investors.
3. **Robust Deal Flow:** Evergreen funds require a continuous pipeline of investable opportunities. Investors should assess the fund's sourcing engine, co-investment capabilities, and access to differentiated deal flow through the broader platform.
4. **Transparent Valuation Practices:** A well-defined, independent valuation policy ensures fair, accurate, and timely pricing of portfolio assets—especially important in an open-ended structure where investor flows are frequent.

The Road Ahead

The emergence of evergreen funds is not a passing trend—it's a structural evolution. As private markets adapt to meet the demands of a broader investor base, evergreen structures are proving to be both resilient and responsive. Their flexibility, liquidity, and operational simplicity offer a compelling bridge between traditional private funds and the real-world needs of modern investors.

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