

## Evergreen Funds: An Essential Wealth Management Tool

The rise of evergreen funds has been one of the most notable trends in private markets in recent years. Since 2020, the number of evergreen structures managed by private equity firms has doubled to more than five hundred, with assets under management rising to more than USD 350b. In Europe, the growth of evergreen funds has been stark, with the most recent available data indicating that AUM has grown more than 60% in one year, reaching nearly EUR 63b.<sup>1</sup> The reasons for this growth are numerous and interlocked.

### Private Markets, Reimagined

First and foremost, clients want private markets exposure that can enhance portfolios – whether that's private debt, equity, or infrastructure – but they want that exposure with flexibility. With a greater range of liquidity options than closed-end funds, evergreen structures are therefore a compelling and, for many investors, newly accessible choice.

The regulatory landscape around evergreen funds has also become clearer and more standardised in recent years. In Europe, the revamped European Long Term Investment Fund (ELTIF) framework relaxes previously restrictive rules and barriers to access, such as ticket sizes, eligible investments, and borrowing limits. Across the Channel, the UK's Financial Conduct Authority made a similar move in late 2021 by introducing the Long-Term Asset Fund (LTAF) to facilitate wider investment in private markets. The formalisation of these regimes has helped normalise evergreen structures as a legitimate wealth management tool.

Alongside this regulatory evolution, industry templates such as those provided by the Institutional Limited Partners Association have made reporting more comparable and auditable across vehicles. On the technological side, investor portals, self-service dashboards, and workflow engines have aided the standardisation of metrics and boosted the ability of clients to monitor fund performance and access up-to-date NAVs. Finally, a larger and more sophisticated secondary market has provided evergreen funds with a greater range of practical exit paths for investors seeking that prized early liquidity. Additionally, secondaries enable effective capital deployment.

When we bring all of this together we see that the market has taken a tried and tested structure – the traditional closed-end fund – and effectively modernised it in line with evolving client demands. The evergreen fund is the result.



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<sup>1</sup>Amundi Alpha Associates and Preqin as of December 31, 2024.  
Photo Source: Unsplash

## Smoothing the J-Curve

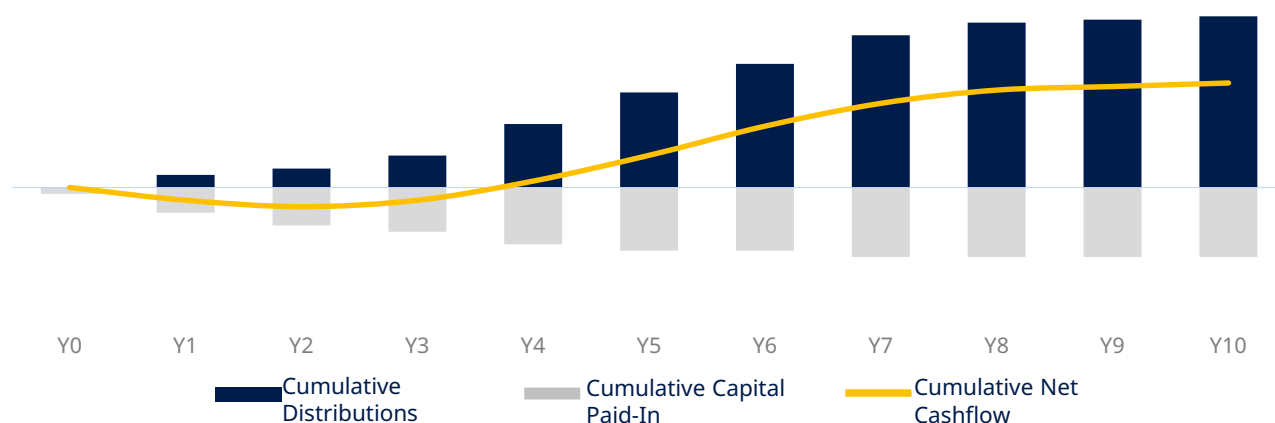
But while these factors can be considered the structural forces behind the growth in evergreen allocation, we also need to look at the value proposition that really underpins their growth.

And on this front, the portfolio benefits offered by evergreen funds are significant, none more so than the smoothing of the dreaded J-Curve. Because evergreen funds immediately deploy into an already invested portfolio of funds, the cash drag and capital calls inherent in traditional private equity investment are eliminated. Capital is also invested into diversified fund vintages and geographies, spreading exposure across business cycles and regions.

Evergreen funds also replace the more rigid, often decade-long 'lock-ups' of traditional private equity with structured subscription and redemption mechanisms. Many funds offer investors quarterly or even monthly redemption windows, which is a level of liquidity previously unseen in traditional private equity funds. The semi-liquid nature of an evergreen structure, then, balances the inherent illiquidity premium of private markets with stronger flexibility, giving investors and wealth managers more control over portfolio management.

For affluent, high-net-worth, and ultra-high-net-worth clients, evergreen funds also simplify the private equity story, eliminating what is sometimes referred to as blind pool vintage risk. In other words, evergreen investors are not committing capital to an entirely unknown portfolio in an unknown future. They are backing existing assets in operative funds. This supports the telling of a clear narrative: "always invested, always compounding." In this way evergreen funds give intermediaries the ability to tell a clear story, which not only strengthens a client relationship but also fosters confidence in the product being recommended.

**J-Curve of a Typical Closed-End Private Equity Fund**



Source: Amundi Alpha Associates

On top of this, because evergreen funds are invested in perpetuity, they enable alignment with long-term wealth strategies such as estate planning, philanthropy, and the transfer of intergenerational wealth. Evergreen funds are a compelling tool for families looking to maintain exposure to private markets across generations, without the administrative hassles (and costs) of re-upping into new funds. The liquidity accessible through evergreen structures also means a client can regularly support their chosen philanthropic causes.

Maybe this is all piquing your interest in making or recommending an evergreen allocation, but what are the practical mechanics? How does it actually work?

## Investing on Your Terms

Well, as should be clear by now, investors don't have to wait for a fund launch or fundraising cycle. Typically a client can subscribe to evergreen funds on a monthly or quarterly basis, with subscriptions usually being made at the current NAV (with a short dealing cut-off period before each valuation date). Importantly, this process mirrors the process of investing in a mutual fund, which is another benefit for clients who may be new to private markets. Minimum tickets are also significantly lower than in traditional closed-end funds, and as previously stated, there are no future calls on capital. The full amount is invested (and deployed) immediately.

Redemption windows are agreed between the client and the manager, but tend to be monthly, quarterly, or every six months, with investors providing notice of between thirty and ninety days to enable the fund to manage liquidity. There can be other redemption controls, including fund gating that might, for example, limit redemptions to a certain percentage of NAV per period. This, again, will depend on the fund itself and the agreement between the parties.

It's important to note that to enable this heightened liquidity, managers hold a portion of the portfolio in more liquid investments in what is referred to as a 'liquidity sleeve.' Holdings in this side pocket can sometimes range between 10% and 20% of the portfolio.

As to the mechanics of distributions, some funds offer the choice to receive periodic distributions, others to automatically reinvest them.

On the valuations side, these are typically published quarterly, occasionally monthly, depending on the fund, and usually involve third-party auditors.

As for the onboarding process, unlike traditional closed-end private equity funds, evergreen vehicles eschew complex limited partnership agreements and use standardised subscription documents. Once onboarding is complete, investors remain eligible for additional subscriptions without going through the full process again. Know-Your-Customer and Anti-Money Laundering checks remain mandatory.

Evergreen funds are not only democratising private market access, they are also revamping the fee structures of private market investments.

### Traditional Private Equity Fund

-  Fixed term
-  Investor capital is locked up for the duration of the fund's lifecycle
-  Investors tend to be large institutions with high levels of capital
-  Committed capital is gradually deployed over several years
-  When the investment period ends, no new capital can be invested, and existing investments must be held or exited
-  Subscriptions of each fund are tailor-made. Fund units are typically not booked in the investor's custody account. Redemptions are not possible (secondary market)

### Evergreen Fund

-  No pre-determined lifespan
-  Investors can enter and exit the fund in regular intervals in accordance with the respective redemption terms
-  Typically, lower minimum investment amounts; accessible to a greater variety of investors
-  Committed capital is deployed and can be put to work immediately
-  As investments mature and are exited, the proceeds are reinvested in new opportunities, making the portfolio dynamic
-  Periodical digital subscriptions and redemptions via established clearing systems (Vestima, Allfunds), units are booked in investors' custody accounts

## Fees Made Simple

Because there are no uncalled commitments and the full capital is invested in one lump sum, evergreen funds, unlike closed-end vehicles, charge a flat management fee on NAV, rather than a fee on committed capital during the investment period. The performance structure also differs to a traditional private equity fund, with carried interest usually replaced by a performance fee charged on NAV growth or realised returns. A high water mark approach is often used, meaning performance fees are charged on NAV appreciation only above the highest previous NAV.

For distributors like private banks, wealth managers, and external asset managers, evergreen funds fit well into established distribution frameworks. For example, similar to mutual funds, retrocession models offer ongoing rebates or distribution fees linked to the management fee, which provides predictable recurring income. The mechanisms of these payments will depend on the jurisdiction, but in general, rather than the upfront fee model found with closed-end private equity funds, evergreen models ensure a closer commercial alignment between the intermediary and the client.

Evergreen funds also deliver benefits for intermediaries from a structural point of view. For example, one multi-manager allocation that provides exposure to multiple vintages, strategies, and sectors eliminates the need to manage a host of closed-end commitments, capital calls, and distributions.

## The Evergreen Edge

Despite the many upsides of evergreen funds, and the contrasting qualities with respect to traditional closed-end funds, viewing the two approaches as an either/or consideration is a false economy.

Evergreen vehicles are best considered, especially for larger investors who possess the right scale and risk profile, as a complement to traditional private equity structures. While evergreen funds can harvest a broad spread of opportunities across business cycles and deliver regular, compounded returns, closed-end funds remain a powerful tool to capture high-value strategies in dedicated vintages, sectors, and geographies. Together they can smooth private markets exposure across a portfolio and provide access to the best deal flow of both worlds. A hybrid strategy of evergreen funds alongside traditional closed-end funds can also enable liquidity gaps to be bridged, with the evergreen allocation maintaining private markets exposure while an investor waits on returns from a closed-end allocation.

All this said, while evergreen funds are a compelling proposition, they are not exempt from the underlying realities that drive private markets and alternative assets. Evergreen funds, while significantly more liquid than a traditional closed-end private equity fund, are largely invested in traditionally illiquid assets. The investment horizon in private equity, debt, or infrastructure, even via an evergreen fund, remains long-term. Simply put, the longer you commit capital, the greater the rewards you are likely to reap. In this respect, educating clients about the longer-term nature of an evergreen product, the liquidity limits, and delayed valuations is critical. The relative newness of evergreen structures also means they are yet to be tested against a change in the business cycle.

And while the case for an allocation to evergreen private equity can be compelling, selection is critical. Choosing a diversified multi-manager fund gives an investor the best shot at claiming the rewards on offer while prudently managing the associated risks.

## About Amundi Alpha Associates

Amundi Alpha Associates is the private markets multi-manager business line of Amundi Alternative & Real Assets, a trusted European partner with over 40 years of investment experience. Amundi Alpha Associates manages over EUR 20b in AuM across private equity, private debt, and infrastructure funds-of-funds and segregated accounts, primarily on behalf of a global, institutional client base. The business line employs over 80 professionals across its offices in Zurich, Paris, and Barcelona.

## Related Insights

**Unlocking private markets:**  
The rise of evergreen funds in a diversified investment landscape

**Key takeaways:**

- The rise of evergreen funds is a response to the growing demand for private equity investments.
- Evergreen funds offer a more stable and predictable investment profile compared to traditional private equity funds.
- Evergreen funds are becoming a key component of institutional investors' portfolios.
- Evergreen funds are expected to continue to grow significantly in the coming years.

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**Battery Storage: An infrastructure investment fad or here to stay?**

Battery storage is becoming a key part of the infrastructure investment landscape. It offers a high return on investment and is expected to continue to grow significantly in the coming years.

**Battery Storage: an infrastructure fad, or here to stay?**

**Evergreen Funds: Beyond the Buzz**

Evergreen funds are becoming a key part of institutional investors' portfolios. They offer a more stable and predictable investment profile compared to traditional private equity funds.

**Evergreen Funds: Beyond the Buzz**

## Important Information

<https://www.preqin.com/insights/research/blogs/evergreen-capital-funds-hit-record-high-at-350bn-on-private-wealth-demand>

<https://funds-europe.com/evergreen-and-eltif-fund-markets-soar-to-more-than-e83bn>

<https://www.preqin.com/insights/research/blogs/evergreen-capital-funds-hit-record-high-at-350bn-on-private-wealth-demand>

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Amundi's private market multi-management business, based in Paris, was launched in 1998 under the legal entity Amundi Private Equity Funds (PEF). Zurich-based Alpha Associates AG was founded in 2004 as a spin-off from Swiss Life. These two entities have been working together since 2024 to create the Amundi Alpha Associates platform.

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