

Evergreen Funds: Beyond The Buzz

Regulatory changes in recent years have propelled evergreen private equity funds into the spotlight. Commentators have described evergreen funds as the next frontier in private equity, and even as the future of private equity. These claims are arguable, but there is no arguing with the fact that evergreen private equity funds are growing rapidly in popularity.

In just the past five years the number of evergreen funds managed by private equity firms has doubled to more than five hundred, according to data provider Preqin, with assets under management rising to more than USD 420b. In Europe, the growth of evergreen funds has been stark, with AUM growing more than 60% in one year, reaching nearly EUR 63b in Q4 2024.



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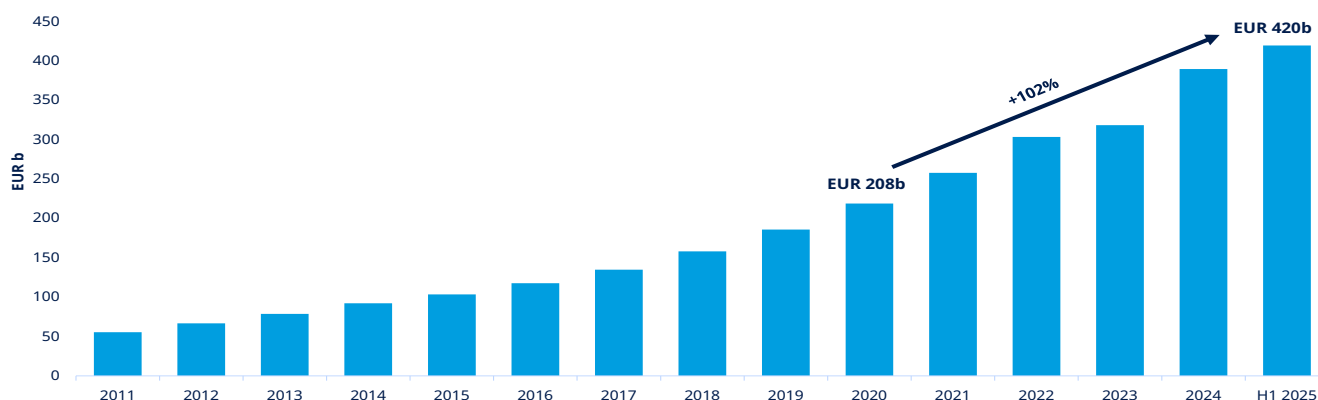
What are the reasons for the buzz around evergreen funds and why are we seeing this kind of growth? A major drive is that evergreen funds are enabling what has been described as the 'democratisation' of private equity.

Liquidity That Changes The Game

Evergreen funds are attracting interest because they let investors come in with much smaller ticket sizes, significantly lowering the barrier to entry into private equity. And unlike closed-end funds, evergreen funds allow immediate deployment into an already invested portfolio. This ability to rapidly deploy capital reduces the cash drag associated with traditional private equity fund structures and also translates into more immediate returns. For smaller investors lacking the scale of an institutional investor, smoothing the dreaded J-curve is a big benefit.

On top of this, evergreen funds are semi-liquid structures that perpetually cycle capital in and out, enabling more flexible exit strategies than traditional funds. Many evergreen structures provide quarterly or even monthly redemption windows, which is a level of liquidity not seen before in private equity. Smaller investors often have more sudden cash needs than large institutional investors, making this level of liquidity a significant benefit and a real selling point for intermediaries looking to introduce clients to evergreen funds.

Total Evergreen Funds AuM has more than doubled in the last 5 years



Source: Preqin / Amundi Alpha Associates

The Importance Of Selection

That said, evergreen structures are not a silver bullet for all the challenges associated with closed-end funds. Caveats remain.

The first and obvious one is that private equity remains an alternative asset class. Evergreen funds, while significantly more liquid than a traditional closed-end private equity fund, do not afford public market liquidity. The investment horizon in private equity, even via an evergreen fund, remains long-term. Simply put, the longer you commit your capital, the greater the rewards you are likely to reap.

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

And one of the chief risks is a change in the business cycle.

When Liquidity Meets Reality

The truth is, evergreen funds have not yet been tested in a downturn. There are a lot of promises being made by managers regarding the liquidity of evergreen products. But liquidity achievable in a robust economy could be more difficult to fulfil if, and when, the cycle turns. In other words, liquidity promises may only be as strong as the economy these funds are operating in.

Which is why picking a manager experienced in managing and deploying capital through the cycles is so important. A multi-manager who can spread risk across fund vintages, sectors and geographies will offer superior downside protection in the event of a market slump or a crisis, while still being able to harvest the pockets of value that remain.

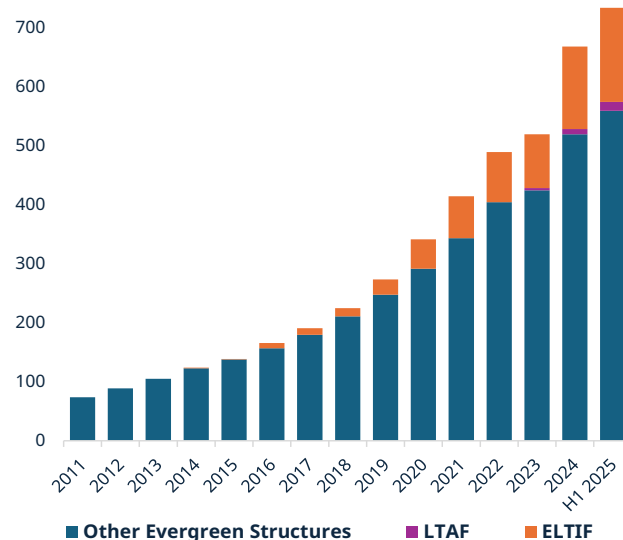
As a new product which offers access to a market long considered elusive for smaller investors, the spotlight on evergreen funds is deserved.

For those previously priced out of private equity who want the rewards of the asset class with enhanced liquidity, evergreen funds can be an ideal solution to put capital to work in an innovative new way.

And yet, while evergreen funds do bring the benefits of public and private market investing closer together, they cannot replicate precisely, in one product, the rewards of both.

This is why manager selection is critical to navigating the hype surrounding evergreen funds while extracting their very real benefits.

Evergreen Structures in Europe by Type and Number



Source: Preqin

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 70 professionals across its offices in Zurich, Paris, and Barcelona.

Further Insights

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

Key takeaways

- 1. The rise of evergreen funds is a long-term trend, driven by the need for stable capital and the growing importance of ESG.
- 2. Evergreen funds offer a unique combination of stability, liquidity, and ESG focus, making them an attractive option for investors.
- 3. The rise of evergreen funds is a reflection of the changing investment landscape, where investors are looking for more stable and sustainable returns.

Unlocking private markets:
The rise of evergreen funds

Private Assets likely to stay resilient during market turmoil

Executive Summary

- 1. Private assets have shown resilience during the recent market turmoil, thanks to their long-term nature and the growing importance of ESG.
- 2. Private assets offer a unique combination of stability, liquidity, and ESG focus, making them an attractive option for investors.
- 3. The rise of private assets is a reflection of the changing investment landscape, where investors are looking for more stable and sustainable returns.

Private Assets likely to stay resilient during market turmoil

Beyond the Numbers: ESG in Action

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Beyond the Numbers: ESG in Action

The report explores the impact of ESG on investment performance and the role of ESG in the investment process. It highlights the growing importance of ESG and the need for investors to integrate ESG into their investment decisions. The report also provides insights into the challenges of ESG and the opportunities it presents.

Beyond the Numbers: ESG in Action

Important Information

- <https://www.preqin.com/insights/research/blogs/evergreen-capital-funds-hit-record-high-at-350bn-on-private-wealth-demand>
- <https://www.withintelligence.com/insights/private-credit-funds-surpasses-500bn>

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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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