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The pros and cons of evergreen funds

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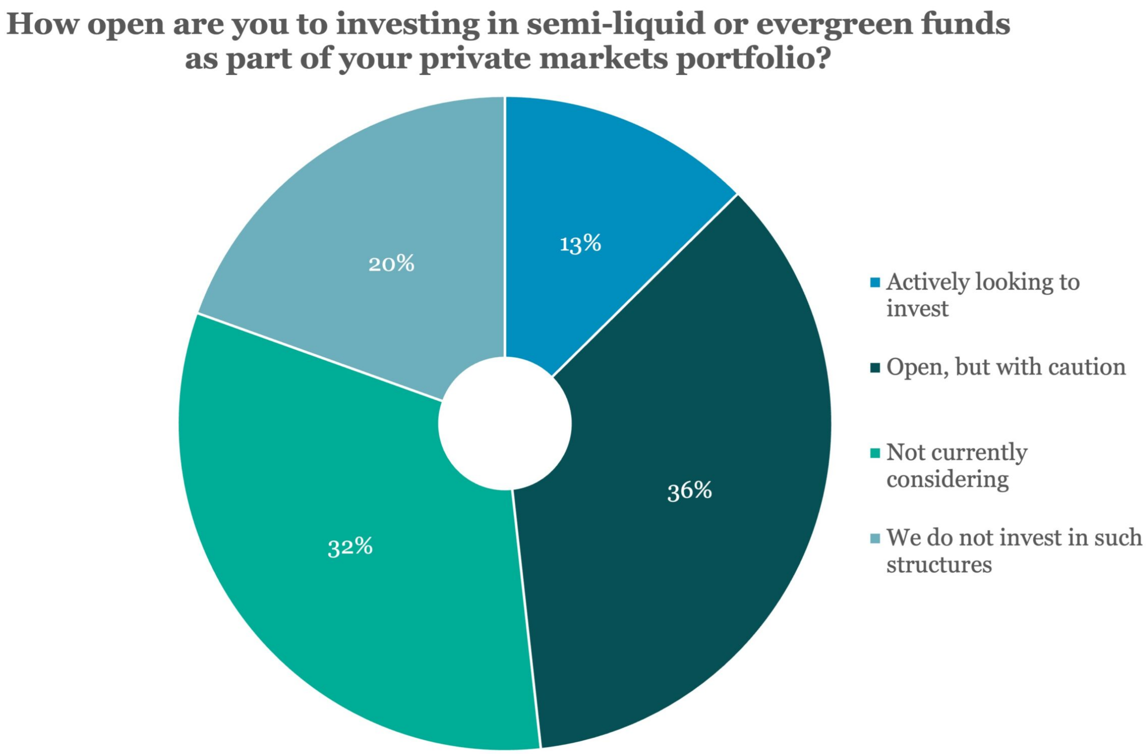

Liquidity has become highly prized in private markets, but a traditionally illiquid asset class such as private credit cannot easily adapt to the demand.

One of the clear trends of 2025 has been an increasing demand for liquidity, even within private markets where the illiquidity premium has long been a compelling attraction of the asset class.

Our *LP Perspectives* study 2026, which is an annual test of investor opinion, finds that very nearly half of investors are either "actively looking to invest" (13 percent) in semi-liquid or evergreen private markets funds or are "open" to investing in them "but with caution" (36 percent). Only a fifth ruled out investing in such structures completely (see chart).

The major attraction for investors is arguably the simplicity of not having to commit to endless cycles of fundraising and having to constantly see capital being drawn down. Asked about the primary motivation for investing in semi-liquid or evergreen funds, 34 percent cite "operational simplicity", with longer duration and no need for re-ups mentioned as factors. Increased liquidity was the next most-popular reason, followed by lower j-curve exposure.

But can periodic liquidity ever sit comfortably in what is essentially an illiquid asset class? For all the legal and structural innovation that is being devoted to squaring the circle, the fact is it remains the primary concern on the investor side – 55 percent cited “liability mismatch” as the biggest obstacle in committing to these vehicles. Following closely behind as leading concerns are “performance relative to traditional funds” and “valuation transparency”.

However difficult the practicalities prove to be, there is little doubt that interest in semi-liquid and evergreen vehicles is increasing rather than decreasing. Stay tuned to *Lead Left* and *Private Debt Investor* as we continue to chart developments in 2026. Meantime, have a wonderful festive season.