Hamilton Lane

Evergreen Funds: The Three Questions Every Advisor Should Be Ready to Answer

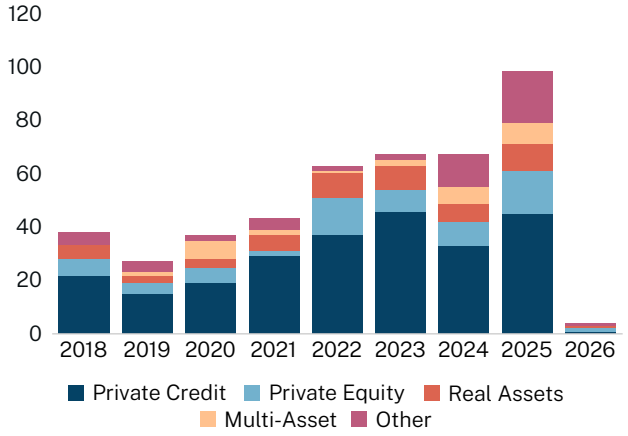
By Hamza Azeem, Managing Director, Evergreen Portfolio Management

EXECUTIVE SUMMARY

- **Liquidity:** real evergreen liquidity is engineered from multiple sources, not just promised on the cover page.
- **Returns:** evergreen performance has held up well so far, but durability depends on how the portfolio is built, not just today's ranking.
- **Beyond the numbers:** a client's experience in an evergreen fund is shaped by more than the headline return, including how the structure itself operates under the hood.

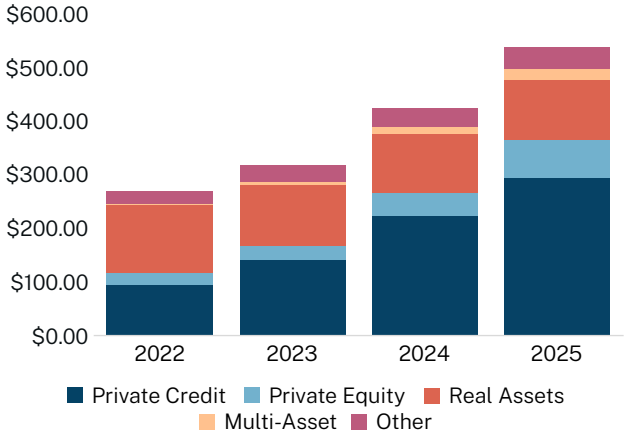
Evergreen and semi-liquid funds have moved from a niche corner of private markets into a mainstream way to invest; simpler to use, easier to explain and easier to fit into a portfolio. Growth has been rapid over the years, fund launches rose from 38 in 2018 to 98 in 2025.*

New Evergreen Fund Launches



Source: PitchBook Data (April 2026)

Evergreen AUM (USD Billions)



Source: PitchBook Data (April 2026)

As these funds have matured, the conversation has shifted from growth to substance. Three questions come up most often: how liquidity really works, whether returns hold up, and what's behind the headline numbers. Here's what matters on each.

1. How does liquidity actually work in an evergreen fund?

Liquidity is usually the first question, since it's the feature evergreen funds are known for. But an evergreen fund isn't liquid the way a public equity fund is. The better question is how the portfolio is built to generate liquidity over time, fairly, for every investor.

In a well-built evergreen fund, liquidity comes from several sources working together: portfolio distributions, new investor inflows, credit facilities and cash buffers. Together, they reduce the odds a manager is forced to sell assets to meet redemptions, protecting redeeming and remaining investors alike.

Gates are part of that design, not a red flag. Think of them as a safety valve: if redemptions spike beyond what can prudently be met, a gate paces redemptions so the manager isn't forced into fire-sale pricing. Used well, gating protects long-term investors rather than penalizing them.

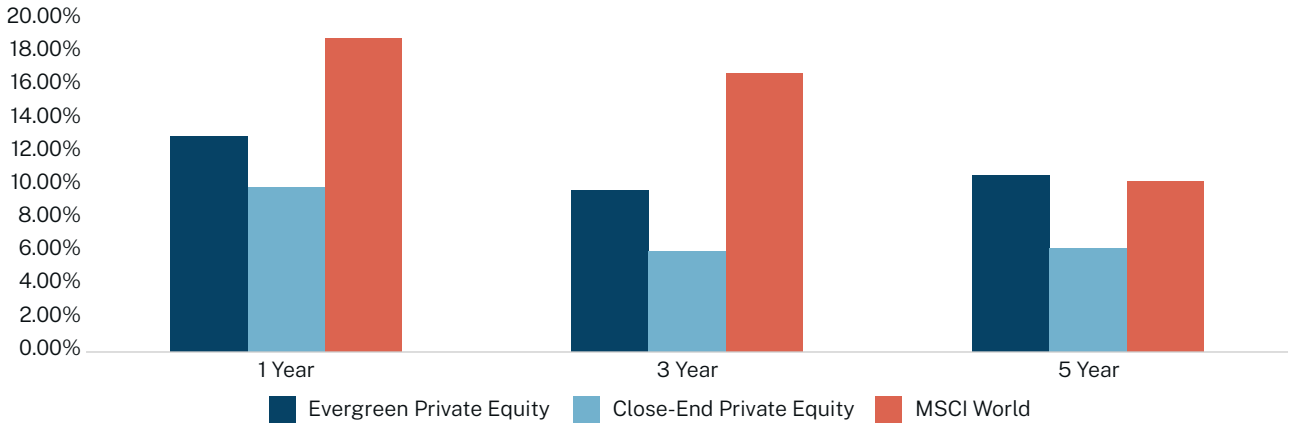
There's no single "right" portfolio design, so the underlying asset mix deserves close attention in diligence. Over the past 10 years, direct equity transactions have generated roughly 19% in annual distributions, versus about 29% for secondaries. A blend of the two produced roughly 24%, a better match for a fund targeting up to 20% annual liquidity than a directs-only portfolio. The takeaway: thoughtful, data-driven portfolio construction should drive both the return and liquidity a fund targets.

The bigger picture: liquidity isn't just a promise on the cover page. It comes from what's inside the portfolio, how quickly those assets return capital, and how actively the manager balances new investment, cash and redemptions.

2. Do evergreen fund returns hold up over time?

Critics assumed investors were trading return for convenience. The data tells a more encouraging story so far: private equity-focused evergreen funds have outperformed closed-end private equity over the one-, three- and five-year periods measured. It's early days, and liquidity buffers can create some drag, but evergreens also benefit from compounding in a way closed-end funds don't. Returns have also been less dispersed, though a roughly 1000-basis-point gap between top- and bottom-quartile funds over one year shows manager selection still matters.

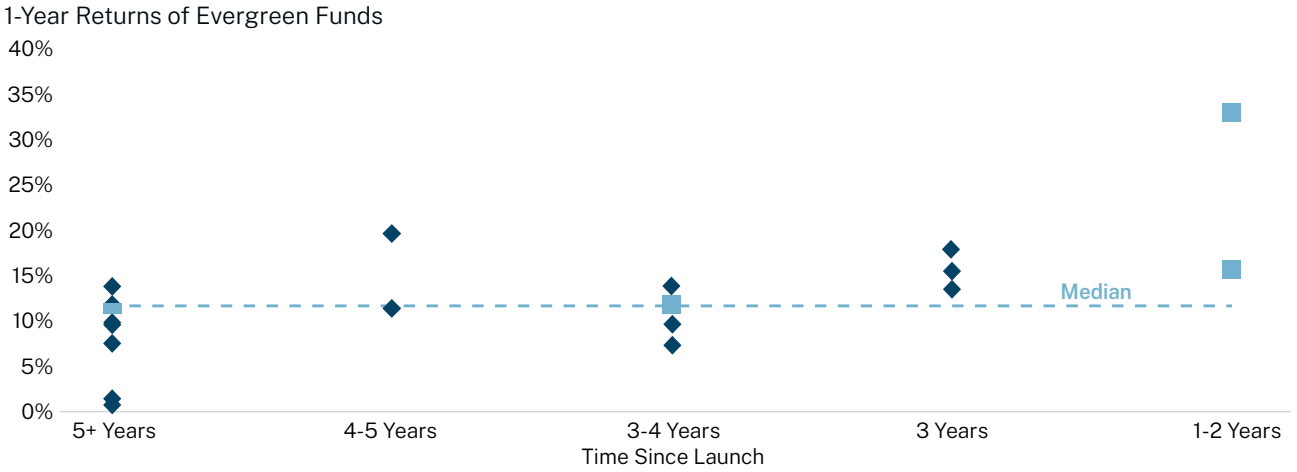
Annualized Return by Fund Structure



Source: Hamilton Lane Data as of 03/31/2026 (September 2026), Bloomberg as of 03/31/2026 (September 2026). Evergreen returns reflect 9+ Private Equity focused open-ended funds launched prior to 2024. Closed-End Private Equity Funds are inclusive of all Vintage Years. Annualized returns by fund structure — evergreen private equity, closed-end private equity and the MSCI World index.

But picking today's top-quartile fund isn't the whole answer. Younger evergreen funds tend to show outsized early returns, especially with a heavy secondaries allocation, but strong early performance doesn't guarantee long-term outperformance; portfolio concentration and secondary discounts can skew it. What matters more is whether the return is sustainable, which comes down to how thoughtfully the portfolio is built and managed over time.

Does Age Impact Evergreen Fund Performance?



Source: Hamilton Lane Data as of 03/21/2026. Illustrative of 20 private equity and secondary-focused evergreen funds with funds launched between 2010 and 2024.

For a true like-for-like comparison, ask: How did returns break down by strategy, geography and deal type? How much came from broad positioning versus picking the right deals? And for secondaries, how much came from buying at a discount versus underlying company growth? Any manager should be able to answer clearly, and the answers reveal how sustainable those returns really are.

3. What else could quietly affect your clients' returns?

Currency, for one. Fund performance isn't the only thing that shapes an investor's experience. If a fund's base currency differs from your home currency or share class, currency swings can dwarf the underlying returns. A hedged share class reduces that noise and mirrors the fund's actual performance more closely.

But hedging isn't perfect or free. The hedge ratio matters, since any unhedged portion still adds volatility, and hedging costs vary by currency pair depending on interest-rate differentials and execution costs. It also has to be factored into a fund's cash and liquidity planning. Currency and hedging can meaningfully affect short-term experience, and vary by manager, but over the long term, portfolio construction, manager selection and asset quality matter more.

That holds across the whole structure. Evergreen funds make private markets easier to access, but not easier to manage. The manager still has to underwrite every asset, manage liquidity, track valuations, and balance subscriptions against redemptions in shifting markets, arguably a higher bar than a closed-end fund, which is exactly why manager quality matters so much.

What this means for advisors

The conversation is maturing. Investors and advisors are moving past questions about growth and basic liquidity to ask better ones: how liquidity is engineered, how returns break down, and what separates durable performance from early-stage optics — a healthy shift toward evaluating evergreen strategies on substance, not label.

DISCLOSURES

This content is for informational purposes only and is not investment advice or an offer to buy or sell any security. Private market investments involve significant risks, including illiquidity and loss of capital. Past performance does not guarantee future results. Views are those of the author as of the publication date and may change.

*Source: PitchBook Data (April 2026).