EXECUTIVE SUMMARY

The WINDOW *NARROWS*

Evergreen Funds and the Choice Before the Industry

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History is on track to repeat itself. This paper sets out the historical pattern, identifies where it breaks, and proposes a practitioner framework for acting on it while conditions are still calm.

Evergreen vehicles have become one of the principal corridors between private markets and the wealth investor. The category is large, it is growing quickly, and most of the funds inside it have never been run through a stress cycle.

The structure itself is not the problem. Evergreen funds do what their documents say they do, and the redemption mechanics have functioned as written in every episode examined here. The exposure sits more downstream, in a distribution chain that simplifies liquidity terms at each handoff until the investor holds a promise the fund never made.

That sequence has run three times before in adjacent products throughout recent history. Each time, the correction arrived after a redemption event, under pressure, with regulators eventually setting the terms. Conditions today are calm enough that the industry can still choose its own answer. That window is what this paper is named for, and it is not open indefinitely.

The evergreen universe

$534.6B
Net assets across U.S. evergreen vehicles at year-end 2025, up more than 25 percent on the prior year

548
U.S. evergreen funds in operation at year-end 2025

98
New funds launched in 2025 alone; 123 vehicles introduced across the category, the highest annual total in a decade

$1.1T
Projected universe by the end of 2029, a base case implying roughly 20 percent annualized growth in the wealth-focused segment

5%
Standard quarterly redemption cap, per Investment Company Act Rule 23c-3

Full citations appear in paper.

Analysis 1

The category has grown faster than the understanding of it, and almost none of it has been tested.

Growth has been concentrated in the last four years, which means the majority of the universe has operated only in conditions that never required the redemption machinery to hold. A structure that has not yet been stressed is not the same as a structure that has been proven.

The gap that matters is between the product and what the buyer believes they bought.

	DRAWDOWN FUND	EVERGREEN WRAPPER
Deployment	Capital called unpredictably over several years	Invested from day one into a working portfolio
Compounding	Distributions come back; investor must redeploy	Returns compound inside the fund automatically
Program Build	Commitments to several funds across vintage years	One subscription
Minimums	Institutional size	An order of magnitude lower, or more
Tax Reporting	K-1 partnership forms	Standard 1099

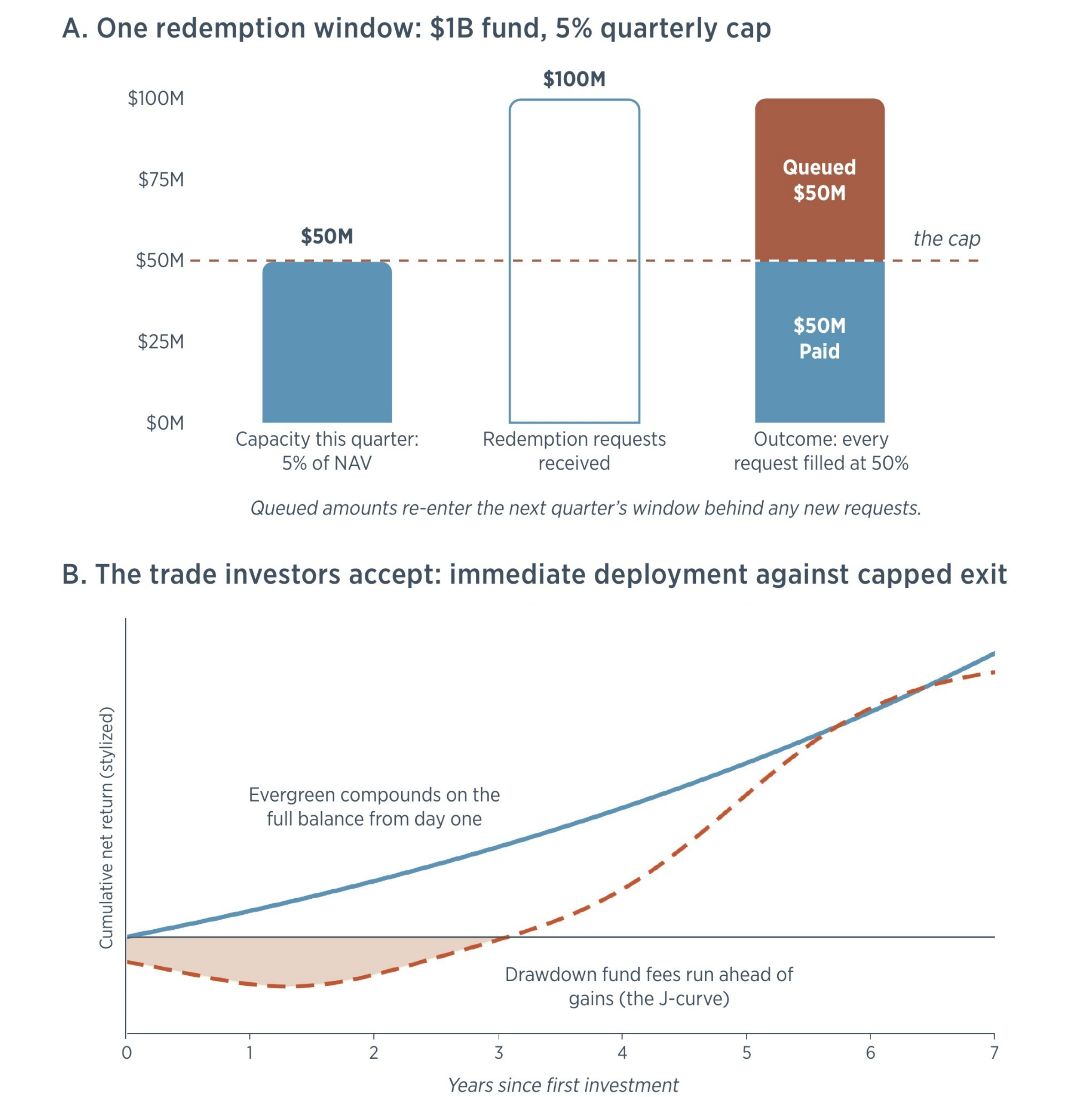
What the evergreen wrapper solves, relative to the drawdown fund.

Analysis 2

The structure performs as designed. The failure occurs in the distribution chain.

At every handoff — provider to wholesaler, wholesaler to advisor, advisor to client — the liquidity terms are compressed for the audience receiving them. Each iteration is defensible on its own. However, the accumulated effect is an investor holding an expectation the fund never issued.

> *The gates worked as written. The expectations set at the point of sale did not survive contact with them.*



Note: Illustrative example; not to scale and not a forecast. Market practice pairs the quarterly cap of roughly 5 percent of net assets with, in the non-traded REIT format, a monthly sub-limit of 2 percent. Panel B is stylized to show the timing of returns, not their expected level.

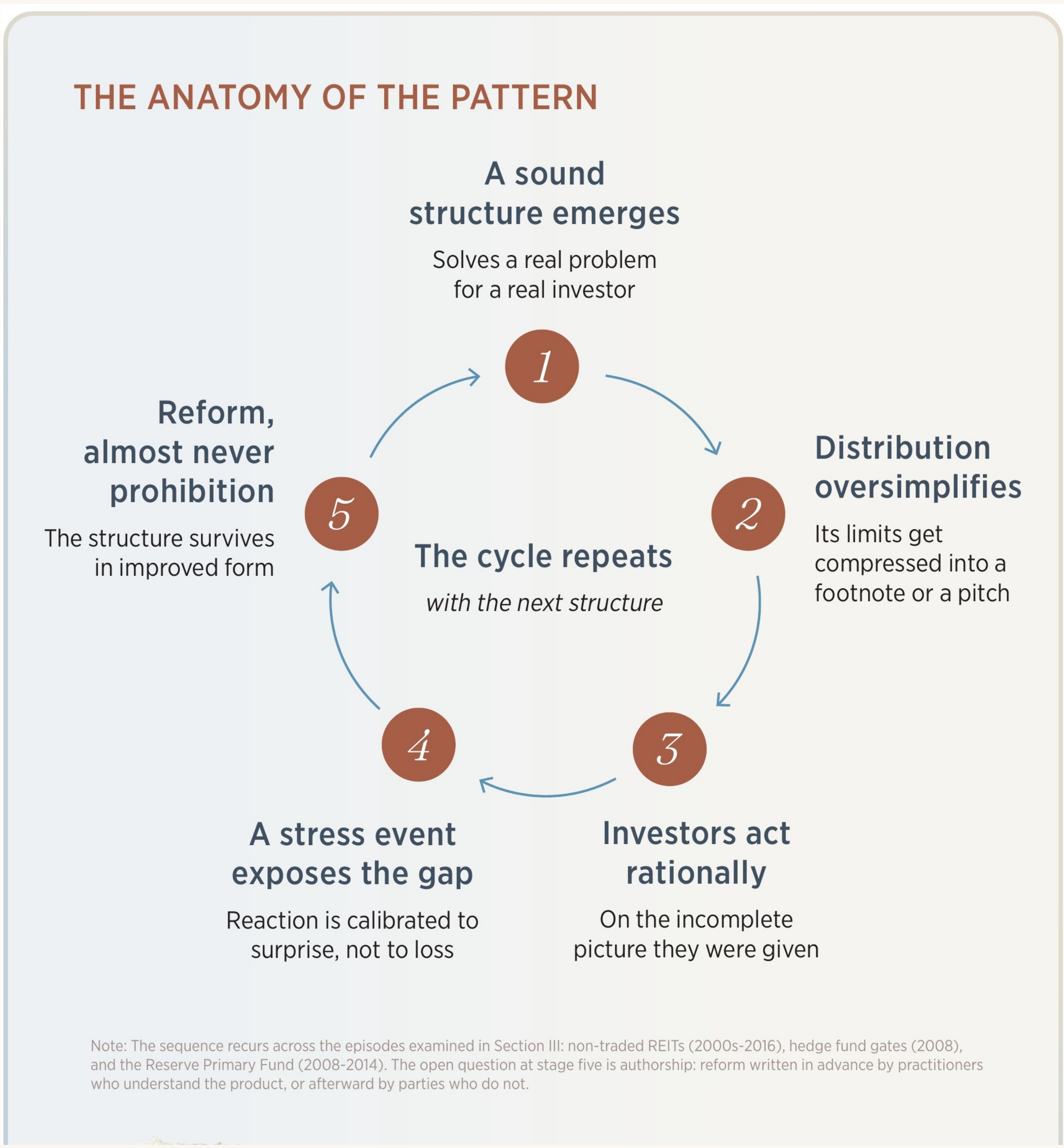
The redemption cap, the queue, and the J-curve trade. Illustrative; not to scale and not a forecast.

Analysis 3

The same sequence has run three times in adjacent products.

Non-traded REITs, the 2008 hedge fund gates, and the Reserve Primary Fund differ in asset class, vintage, and regulatory treatment. They share a surprisingly similar sequence however: a liquidity expectation formed at the point of sale, then tested by conditions the seller never described, followed by a correction imposed from outside the industry.

Non-traded REITs are the closest analogue and the one practitioners remember without prompting. The other two require more context, and the paper treats them at length.



The anatomy of the pattern. Stage five is the open question: reform written in advance, or afterward.

Analysis 4

The misunderstanding starts in the language, which makes the language the cheapest place to intervene.

"Semi-liquid" describes the fund, but tells the investor little about what they hold or what happens when they want out. "Capped liquidity" better describes the investor's position, and it survives a sales conversation intact. It cannot be softened at the next handoff without becoming visibly inaccurate.

This is a change the industry can make deliberately, at low cost, and before anyone requires it.

CURRENT LANGUAGE	PROPOSED LANGUAGE
Semi-liquid	Capped liquidity
Suggests midpoint	Describes constraint
Accurate only in calm markets	Accurate in all markets
Promises flexibility	Explains limits

Current language against proposed language.

A practitioner framework

Given this historical context, CAIA proposes a framework moving forward for professionals at each level of our industry. Four distinct roles hold a decision in the distribution chain of these products. At present, discretion tends to be passed along.

Product providers

Write liquidity terms that survive restatement, and test how those terms read after they have moved one link down the chain.

Wholesalers

Carry specifically the constraint of the product forward rather than the headline. The simplification that makes a term sellable is where the expectation gap opens.

Advisors

Establish what the client believes about access to their capital versus what was disclosed to them. Suitability at purchase is not suitability under stress.

Industry bodies

Set the vocabulary and the competence standard before a redemption event sets them from outside.

Why this is a call to action

This paper describes a pattern that has repeated in adjacent products and observes that the conditions producing it are present again. Every previous correction to that pattern was made after the fact, under pressure, by parties outside the industry. The argument here is narrower and more practical: the industry retains the ability to write its own answer, and that ability has a shelf life.

For more information about this report, visit here.