White Paper | January 2026

NEUBERGER | BERMAN

PETER VON LEHE
Head of Investment Solutions

JOCELYN LEHMAN
Vice President—Private Equity

MAURA REILLY KENNEDY
Managing Director—Private Equity

Evergreen Private Equity Investing: Key Benefits of a Direct, Multimanager Approach

An expanding array of evergreen funds now aims to deliver continuous private equity exposure with lower barriers to entry. But not all approaches are created equal.

In this article, we explore why we believe "direct investments" (via co-investments and GP-led secondaries) align well with evergreen private equity funds, as well as some of the key benefits of a multimanager evergreen strategy relative to single-manager and hyper-diversified approaches.

Evergreen Private Equity: An Overview

Evergreen private equity (PE) funds are reshaping how investors access the asset class. These perpetual vehicles offer investors continuous PE exposure with lower barriers to entry than traditional fund structures, typically with broader eligibility requirements and lower investment minimums. Unlike traditional drawdown funds, evergreen vehicles generally allow investors to subscribe at their own pace and redeem/tender shares periodically (subject to fund terms).

While the evergreen category remains relatively small (about 4% of PE assets in 2024[1]), interest is accelerating as new products and regulatory reforms enable smoother access and consistent exposure to the asset class. At the same time, we believe that not all evergreen PE solutions are created equal and different approaches can materially influence potential outcomes.

We believe sustainable evergreen PE returns are driven primarily by creating operational value over time rather than capturing one-time discounts when assets are purchased. Furthermore, we believe a "multimanager" direct-investing approach—in partnership with a range of lead PE sponsors—can deliver enduring value for all investors in the evergreen fund regardless of when they enter or exit.

Direct Investments: The Right Fit for Evergreen Private Equity Funds

We believe direct investments offer the potential for attractive long-term risk-adjusted returns and align well with the operational complexities of evergreen PE funds. At Neuberger, direct investments include co-investments, in which Limited Partners (LPs) invest in a single company alongside a lead PE sponsor, as well as GP-led secondaries, in which the lead sponsor transfers high-performing assets into a new vehicle (called a continuation fund), providing liquidity to current LPs while allowing the General Partner (GP) to maintain control.

We find that direct investments can offer attractive capital-efficiency, fee-efficiency and meaningful visibility into a sponsor's underlying holdings, features that we believe can improve net returns and strengthen overall risk management within evergreen funds. Below, we highlight the three key dynamics alluded to above.

Capital Efficiency: Putting Money to Work Immediately

Unlike traditional drawdown funds, evergreen funds must balance subscriptions, redemptions/tenders and deployment. Direct investments can help deliver the capital efficiency required to meet these ongoing demands.

Direct investments inject capital directly into PE-owned portfolio companies or continuation funds, allowing dollars to begin working immediately and helping avoid the early portion of the PE "j-curve".[2] Rather than having to navigate uncertain capital-call schedules that come with traditional primary PE funds and LP-led secondaries (where LPs in existing PE funds sell their interests to other investors), direct investments can match deployment to real-time opportunities and investor cash flows. In an evergreen fund, where capital flows in and out periodically, this precise deployment ensures that PE exposure remains aligned with investment targets. As a result, this approach helps prevent under-allocation, which can lead to a drag on returns, and over-investing, which may introduce additional risks and can complicate deployment of funds and fulfilling tender/redemption requests.

Fee Efficiency: Lower Costs, Potential for Higher Net Returns

Compared to other strategies, direct investments can be more fee-efficient and, all else equal, have the potential to generate higher net returns. For example, traditional primary or LP-secondary funds usually charge fees at both the individual deal level and at the evergreen fund level, resulting in two layers of fees. In contrast, co-investments typically do not incur management fees or carried interest paid to the lead manager, while GP-led transactions may have significantly more modest (and negotiated) fees and carry compared with traditional primary or LP-secondary funds. We believe understanding these distinctions is important when selecting an evergreen strategy, and we encourage investors to better understand each layer of fees and consult the fee schedules typically found in the 'Acquired Fund Fees and Expenses' or 'Operating Expenses' line items within a fund's regulatory filings.

[1] Source: Pitchbook. As of April 14, 2025.
[2] Private equity funds are subject to a "j-curve" effect, meaning that returns are often low or negative during the first several years as capital is deployed, and the expected returns do not become readily apparent until the latter years of a fund's term when distributions begin to occur.

Meaningful Visibility: Deeper Diligence, Better Risk Management

Traditional LP secondary vehicles can include hundreds of underlying companies, making comprehensive due diligence and ongoing monitoring of each asset challenging. By contrast, direct investors often partner closely with lead sponsors and conduct their own diligence on potential investments. We believe having more visibility into a sponsor's underwriting process, value-creation plans and progress throughout the investment holding period can help evergreen fund investors mitigate risk and have more insight into their holdings.

Evergreen Fund Manager Selection: Multimanager vs. Single-Manager Approaches

Evergreen funds can provide exposure to a single PE sponsor or a group of them. While single-manager funds may invest directly and diversify across different sub-funds, investors remain exposed solely to one manager's deals and underwriting approach. By contrast, multimanager funds retain the upside of direct investments while diversifying across companies, sectors, geographies, enterprise values and a variety of top-tier sponsors.

In our view, the multimanager approach can offer several advantages over a single-manager approach, as shown in Figure 1. For example, we believe greater diversification can: give multimanager funds more access to high-quality investments; reduce idiosyncratic risk and single-sponsor concentration risk (including the sudden loss of key investment personnel); and grant managers more flexibility to invest consistently through various market environments. Furthermore, we believe having access to outsized deal flow allows multimanager evergreen vehicles to deploy capital more efficiently and to effectively manage cash sleeves, helping reduce cash drag on returns.

FIGURE 1: MULTIMANAGER EVERGREEN FUNDS CAN OFFER SEVERAL ADVANTAGES VS. SINGLE-MANAGER FUNDS

Key Characteristics	Single-Manager Funds	Multimanager Funds
Diversification	Less	**More**
Access to Deal Flow	Less	**More**
Full Market Cycle Flexibility	Less	**More**
Key Person Risk	More	**Less**

Source: NBAA analysis.

Succeeding With Multimanager Funds: Understanding Hyper-diversification

We believe evergreen PE strategies work best when supported by a direct-investing platform—one that brings together experienced professionals, rigorous evaluation processes and deep sponsor relationships to maintain a steady flow of high-quality opportunities. As shown above, we also believe multimanager strategies—and the diversification they provide—may have several advantages over single-manager strategies.

At the same time, however, too much diversification can bring its own risks, in our view. Some evergreen funds invest in hundreds or even thousands of underlying companies, often via portfolios of LP-led secondaries. Many of these funds rely on capturing one-time discounts and quickly marking them back up to fair value to generate attractive returns. We believe "discount capture" is akin to chasing a sugar high and can lead to uneven results for evergreen PE investors: While existing investors benefit from a write-up, investors that come in after the investment do not; their returns depend on the future performance of those assets, which often have less value-creation opportunity ahead.

As hyper-diversified evergreen fund offerings proliferate, we believe they may find it harder to buy assets at meaningful discounts to drive returns and that the pressure to deploy capital quickly may push up pricing. (Indeed, during 1H 2025, evergreen funds paid approximately 4.3% above the market average for LP secondary portfolios, according to a report from Campbell Lutyens, an advisory firm.[3]) If evergreen funds grow more dependent on continual inflows or exits to sustain returns through discount capture, and those opportunities diminish, we believe performance could suffer and liquidity pressures could rise as investors seek to redeem.

Ultimately, we believe taking a hyper-diversified approach reduces visibility into an evergreen fund's underlying assets and creates uncertainty about future value-creation opportunities for new investors. In our view, it is important for evergreen investors to seek a *reasonably diversified* multimanager strategy with a targeted focus on creating operational value and compounding alpha over the long term.

Conclusion

A growing array of evergreen funds now offers continuous exposure to the PE asset class with more modest barriers to entry. As the opportunity set expands, we believe selection matters. In our view, how an evergreen fund invests, its use of direct investments, its approach to manager diversification and its emphasis on long-term value creation can meaningfully influence investment outcomes.

For investors seeking institutional-grade PE exposure in an evergreen structure, we believe a direct-investment strategy of co-investments and GP-led secondaries—combined with a reasonable degree of multimanager diversification and a deep focus on creating operational value over the long term—can offer an attractive solution within broader private-market allocations. Furthermore, we believe that multimanager strategies (whether direct-focused or incorporating LP led secondaries) and single-manager strategies each bring distinct yet complementary strengths that can be flexibly combined to support a wide range of portfolio objectives.

[3] Source: Campbell Lutyens. Data as of August 12, 2025.

NEUBERGER BERMAN

Neuberger Berman
1290 Avenue of the Americas
New York, NY 10104-0001

www.nb.com