

# Benchmarking the Evergreen Evolution

Measuring semiliquid funds with the  
Morningstar PitchBook US Evergreen Fund Indexes



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## Introduction

For most of modern investing history, private markets have been reserved for large institutions and select ultra-high-net-worth individuals. The barriers to entry were substantial. Investors faced \$1+ million commitment minimums, complex limited partnership structures, and rigorous investor qualification requirements that excluded all but the wealthiest and most sophisticated participants. Access to blue-chip private fund managers often depended on long-standing relationships, excluding the vast majority of investors.

Even for those granted entry, the operational challenges were daunting: unpredictable capital calls, commitment pacing, and cumbersome tax reporting. Managing liquidity across multiple vintages of finite-life, drawdown funds demanded infrastructure that few individual investors or advisors possessed. Fund managers, meanwhile, had little incentive to broaden participation. Institutional investors—pensions, endowments, and sovereign wealth funds—offered scale, stability, and the long-term orientation that private markets required.

But that landscape is shifting. Technology, regulation, and market structure have converged to make private markets more accessible than ever before.

Modern fund administration and distribution platforms now allow general partners to manage a large and expanding investor base. At the same time, regulatory momentum is expanding the universe of eligible investors, through updates to investor accreditation standards and the potential opening up of private markets within defined contribution plans and other retirement solutions. Traditional asset managers, wealth advisor platforms, and alternatives investment firms are teaming up at a torrid pace to meet the needs created by this paradigm shift.

<sup>1</sup> Kephart, J. 2025. Investors Flock to Semiliquid Funds for Income. Morningstar.

The design elements of the private market fund structures are being adapted for investors who demand access to the potential return and diversification benefits of private assets, but with a user experience closer to that of mutual funds or exchange-traded funds.

<sup>2</sup> Carmean, Z., Schwartz, N., & Ostroff, M. 2025. 2029 Private Market Horizons: Forecasting the Growth of Private Capital AUM Over the Next Five Years. PitchBook Data.

Dubbed “evergreen” or “semiliquid” funds, these vehicles combine private assets with regular liquidity, perpetual life, periodic net asset value pricing, and streamlined tax reporting. They simplify access, smooth the investor experience, and increasingly are allowing the wealth channel to tap into the full private capital stack, from private credit and real estate to private equity and venture capital. Today, we estimate the universe of evergreen, semiliquid private market funds to be nearly \$450 billion.<sup>1</sup> and on track to surpass \$1 trillion within the next five years.<sup>2</sup>

Despite their rapid growth, the evergreen fund market has lacked essential tools to perform due diligence on funds and compare performance. Earlier this year, Morningstar addressed part of that gap with the launch of Morningstar Medalist Ratings for semiliquid funds,<sup>3</sup> bringing the same forward-looking, analyst-driven framework used for traditional vehicles to this emerging category. Investors also need robust benchmarks that can be used to evaluate performance. The [Morningstar PitchBook US Evergreen Fund Indexes](#) were developed to fulfill that need.

<sup>3</sup> Morningstar. 2025.  
[Morningstar Publishes First Medalist Ratings for Semiliquid Funds.](#)

This new index family provides the first comprehensive benchmark framework for nontraded, evergreen private market funds, beginning with US-domiciled interval funds, tender offer funds, business development companies (BDCs) and real estate investment trusts (REITs).<sup>4</sup> It spans multiple asset classes via subindexes across private equity, direct lending, alternative credit, real estate, infrastructure, and multi-asset strategies.<sup>5</sup> Together, these indexes provide a data-driven view of what evergreen funds deliver relative to public market alternatives and to one another.

<sup>4</sup> See Appendix for definitions.

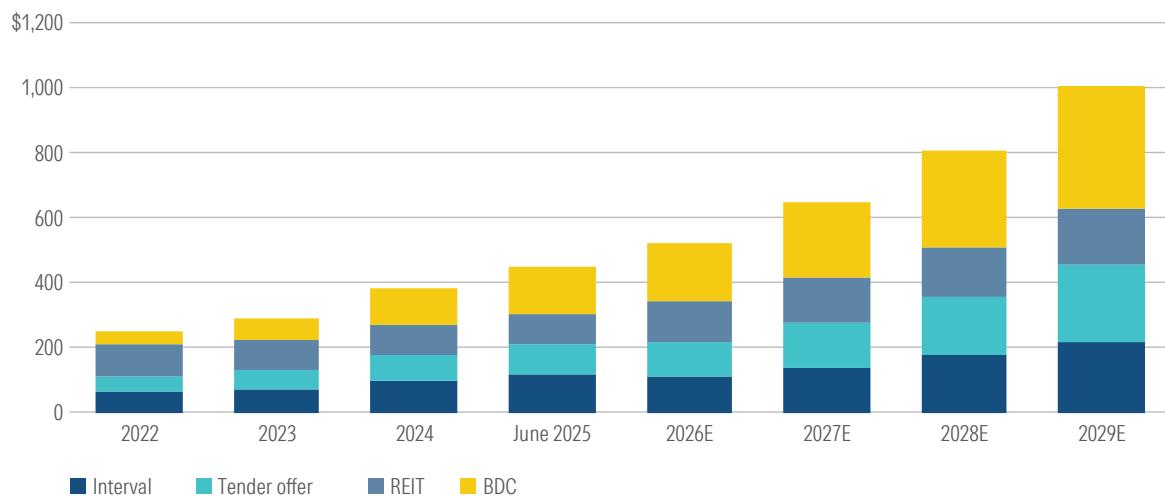
<sup>5</sup> See Appendix for definitions.

# The rise of semiliquid funds

The semiliquid fund market has evolved from a niche corner of registered fund design into one of the fastest-growing segments of private markets. While the regulatory structures enabling these vehicles have existed for decades, only in recent years have they reached critical mass in unlisted form.

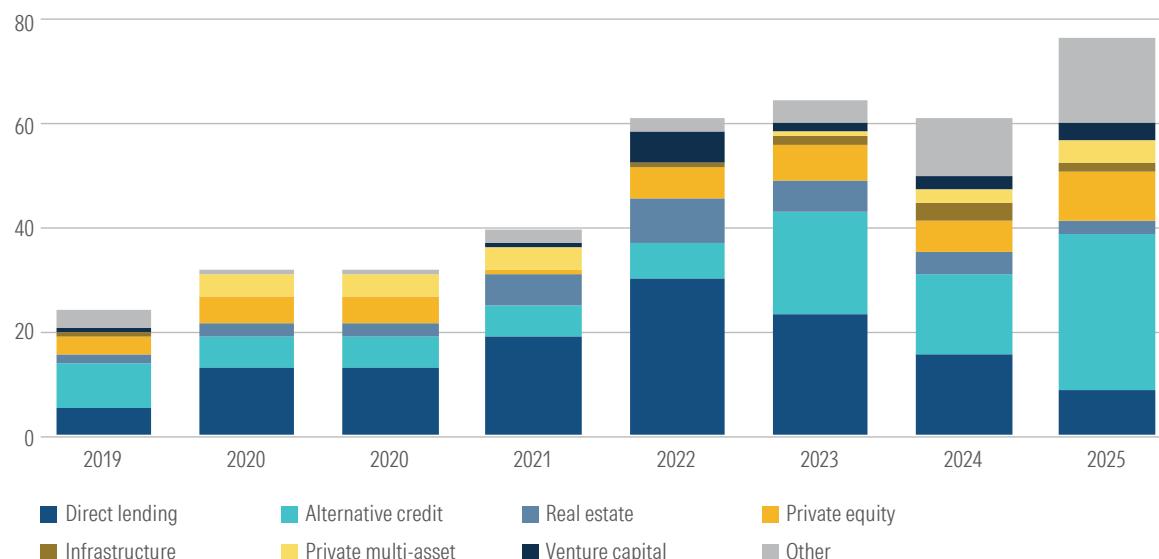
As of June 2025, US evergreen funds collectively managed approximately \$450 billion in net assets, up from just \$250 billion in 2022. We project that total assets under management could eclipse \$1 trillion by the end of the decade. That's been fueled by more than 250 new fund launches tracked by Morningstar since the start of 2022. This year has been a record for new launches and announcements.

**Exhibit 1: Growth in Total US Evergreen Fund Net Assets (USD Billion)**



Source: Morningstar and PitchBook Data. Forecasts were generated on April 14, 2025.

**Exhibit 2: Annual New US Evergreen Fund Launches by Strategy Focus**



Source: Morningstar and PitchBook Data. Based on inception date of oldest share class.

What's driving this acceleration goes beyond mere access or technology. A confluence of structural and behavioral shifts has made the evergreen format increasingly popular.

For one, there is a secular shift happening in capital formation, with more companies staying private and able to access more sources of equity and debt financing outside of public markets than ever before. Coinciding, investor preferences have evolved. Wealth advisors and individual investors are increasingly acknowledging that traditional portfolios containing only public stocks and bonds are excluding a growing portion of the investment opportunity set. Now, many are working to build institutional-style portfolios that blend public and private exposures. These investors prize steady income, diversification, and lower (perceived) volatility—attributes well aligned with semiliquid private credit and real estate strategies. At the same time, a generation of investors raised on ETF transparency and digital platforms expects smoother subscription, liquidity, and reporting experiences—something evergreen funds can now deliver.

From the manager perspective, economics are reshaping strategy. With fundraising among traditional closed-end private funds slowing, and large institutional limited partnership allocations approaching their upper limit, fund sponsors are looking to the wealth market as a durable source of long-term capital. Evergreen structures provide recurring inflows, scalable distribution, and more predictable fee streams, offering a counterbalance to the cyclical nature of institutional fundraising.

Macro conditions have played a role as well. A decade of low interest rates and public market concentration has driven investors toward differentiated return sources. Semiliquid private credit strategies have benefited from higher base rates, while private real estate funds have offered inflation-linked income and diversification benefits during volatile cycles. For advisors and multi-asset allocators, these funds offer something that has long been missing: a way to integrate private market exposures into liquid, multi-asset portfolios without the complexity of commitment pacing or secondary purchases.

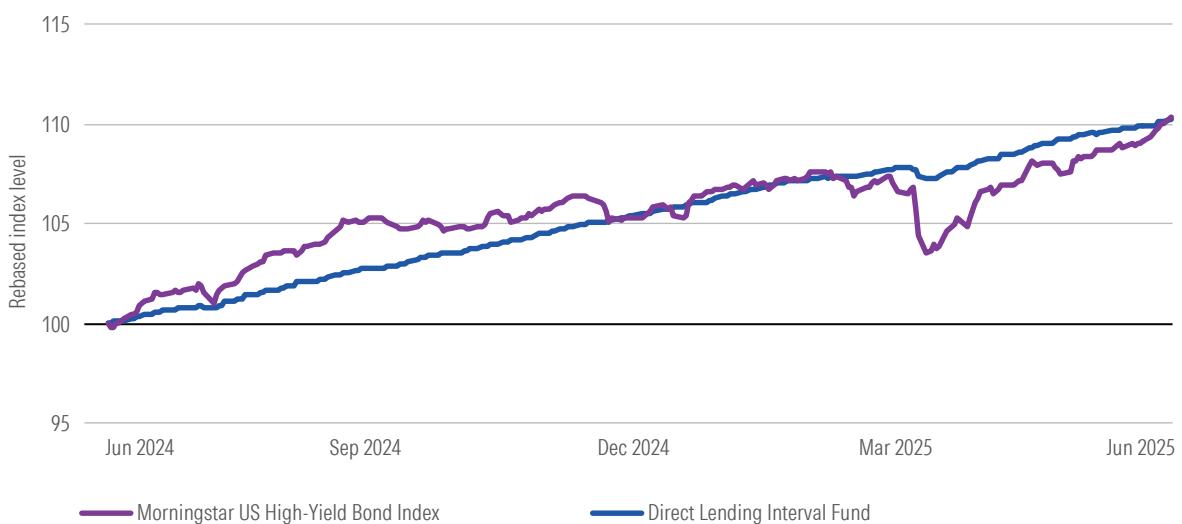
Finally, distribution innovation has accelerated the market's reach. Custodial platforms, model portfolios, and alternative fund marketplaces now make it seamless to allocate to semiliquid funds alongside mutual funds and ETFs. Wirehouses and independent broker-dealers are embedding evergreen private market products into platform architecture, enabling scalable distribution across tens of thousands of advisors—a shift that would have been impossible just a few years ago. Further acceleration is likely to take place as 401(k) plans and wealth-building solutions make the experience of investing in private market funds more turnkey than ever.

## The need for a new benchmarking solution

Much like traditional drawdown private capital vehicles, semiliquid funds operate in a space where conventional benchmarking methods often fall short, and managers have wide latitude in selecting their own comparison points. However, benchmarking is key to understanding and evaluating the investment decisions that allocators make, whether it be to choose public versus private markets, evergreen funds versus other structures, or particular evergreen funds versus the opportunity set available.

In practice, many evergreen fund managers reference public market proxies such as small-cap equities, liquid leveraged loans, corporate bonds, or T-bills as a way to contextualize performance. These comparisons provide familiar signposts for investors and offer value when evaluating the decision to invest in private markets against the public alternatives. However, they are rarely representative of the risk profile, leverage, liquidity structure, or underlying assets that define private market evergreen funds. Plus, index fluctuations based on market trading versus appraisal-based NAVs fundamentally leaves performance comparison, especially in a risk-adjusted sense and over short horizons, imperfect at best. Exhibit 3 shows a direct lending interval fund one-year performance vs. the Morningstar US High-Yield Bond Index. The smooth experience of NAV pricing versus market pricing artificially reduces traditional risk measures like volatility for the interval fund.

**Exhibit 3: Index Performance: Direct Lending Interval Fund Versus Morningstar US High-Yield Bond Index**



Source: Morningstar and PitchBook Data. Index performance rebased to 100. Date range: June 30, 2024, to June 30, 2025. Interval fund performance is based on daily calculated values.

Another option could be to borrow from the traditional private equity drawdown fund world and use vintage-year comparison, in which a fund's performance from when an investor entered the vehicle is evaluated against the returns of private drawdown funds that began investing in the same calendar period. While vintage benchmarking can help assess relative timing and cycle positioning and fit the underlying asset classes, it's often an awkward fit for evergreen structures, where time-weighted returns (TWRs) are the primary metric rather than internal rate of return (IRR). However, comparing IRRs with TWRs introduces methodological problems given that finite-life drawdown funds are not fully invested throughout their lifespan.

In Exhibit 4 we translate a hypothetical evergreen fund return, assuming \$1 is invested on day one, versus a closed-end drawdown fund that deploys \$1 in committed capital over several years and distributes gains back over a 10-year horizon. In the drawdown fund, undeployed capital and capital distributed back are assumed to earn a 7% compound annual growth rate in liquid assets. The results are illustrative but nonetheless show how an IRR can be several hundred basis points above the TWR of a semiliquid product and still translate into the same total amount of cash earned over 10 years. Plus, the fact the drawdown fund is not fully invested throughout its life means a good chunk of the investor's performance and asset exposure is not coming from the private market product. In practice, investors in drawdown funds with finite lives must undergo complex planning to replenish old commitments with new ones while dealing with several—often dozens—of manager relationships.<sup>6</sup>

<sup>6</sup> Carmean, Z., & White, A. 2022. Allocator Solutions: Cash Flow Forecasting and Commitment Pacing, PitchBook Data.

#### Exhibit 4: Illustrative Comparison of Evergreen Fund TWR and Drawdown Fund IRR

Metric	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Evergreen Fund TWR (%)	9.0	10.0	10.9	11.9
Drawdown Fund IRR (%)	12.5	15.0	17.5	20.0
\$1 grows to	\$2.40	\$2.60	\$2.80	\$3.10

Source: Morningstar and PitchBook Data. For illustrative purposes only. Assumes uncalled capital and cash distributions from the drawdown fund each grow at 7% annually over a 10-year period.

<sup>7</sup> Carmean, Z., & Ostroff, M. 2025. PitchBook Private Capital Indexes: Q2 2025, PitchBook Data.

An alternative approach is to consider private capital index products, such as those created by PitchBook.<sup>7</sup> These track aggregate quarterly returns using cash flow and NAV data from finite-life drawdown funds rather than averaging individual fund returns. However, important limitations remain, resulting from differences in portfolio composition, fee structures, cash management, and reinvestment assumptions. This complexity is compounded in multi-asset evergreen funds and those with exposure to a blend of direct investments, secondaries, co-investments, and fund commitments, making apples-to-apples benchmarking with either public or private indexes problematic.

# Filling the gap: The Morningstar PitchBook US Evergreen Fund Indexes

The Morningstar PitchBook US Evergreen Fund Indexes are designed to fill the gaps in available benchmarks by capturing the investable universe of semiliquid funds. The indexes provide a standardized, rules-based framework for tracking the average performance of unlisted evergreen funds, enabling more consistent analysis. At the core of the index family are two strategy-agnostic composite indexes: one inclusive of all eligible semiliquid funds and another focused on those reporting daily NAVs.

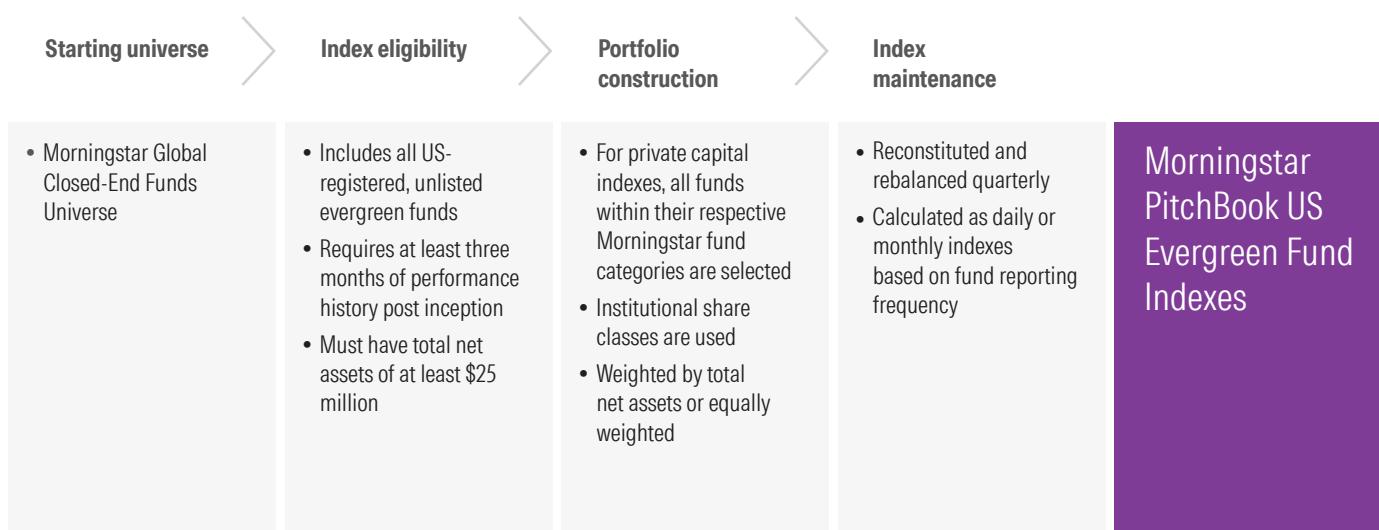
The Morningstar PitchBook US Evergreen Fund Index measures the performance of all nontraded semiliquid funds across private asset classes, hedge fund strategies, and liquid securities, offering a single view of how the overall evergreen market has performed. It serves as a parent index, with carveouts representing the major private capital strategies such as direct lending, private equity, and real estate, with additional categories like venture capital<sup>8</sup> to be introduced as coverage expands. These indexes are constructed using monthly returns data, reflecting the most common reporting cadence among nontraded funds.

<sup>8</sup> Venture capital funds are included in the overall Private Capital Index but are not published as a separate index owing to limited fund coverage.

The Morningstar PitchBook US Daily Evergreen Index includes all nontraded semiliquid funds that report daily, primarily composed of interval and tender offer funds. The index is calculated daily and provides higher frequency insight into the broader universe of unlisted evergreen vehicles.

Importantly for the subindexes, we emphasize underlying investment strategy rather than fund structure when defining the semiliquid private capital categories. For example, direct lending can take the form of nontraded BDCs, interval funds, or tender offer funds. All eligible funds, regardless of legal structure, are included in the category benchmark index. While regulatory requirements may influence how portfolios are managed based on registration status, the aggregate performance comparison remains valuable for assessing the relative advantages of different structures and the approaches individual fund teams take to portfolio management.

## Exhibit 5: Morningstar PitchBook US Evergreen Fund Indexes construction process



Below are the key features of the index methodology and calculation.

**Eligibility:** Eligible constituents are derived from the Morningstar Global Unlisted Closed-End Funds Universe. To qualify, funds must be US-registered, with an inception date of at least three months and total net assets of at least \$25 million, ensuring constituents are sufficiently established and have achieved meaningful scale.

**Strategy-based segmentation:** Breaks out evergreen funds by underlying investment strategy—such as private credit, real estate, infrastructure, and private equity—enabling more relevant peer comparisons and performance analysis.

**Minimized fee variability:** Focuses on institutional share classes to minimize fee-based noise in performance and improve fund comparability.

**Weighting methodology:** Offered as both asset-weighted and equal-weighted variants to support different analytical use cases.

<sup>9</sup> For more information, refer to the [Construction Rules for the Morningstar PitchBook US Daily Evergreen Fund Indexes](#).

**Index maintenance and calculation:** Daily calculated indexes<sup>9</sup> capture funds that report daily, primarily interval and tender offer funds. Monthly calculated indexes include the same universe of unlisted evergreen funds but capture a larger portion of it, reflecting interval and tender offer funds as well as unlisted BDCs and REITs that report less frequently. Index values are calculated at the end of each business day and are reconstituted and rebalanced quarterly to reflect changes in the underlying fund universe and maintain representative coverage of the unlisted evergreen market segment.

**Back history:** Each index performance is backcast to the point at which a minimum of five funds are eligible for inclusion.

As of the most recent reconstitution in June 2025 for the broad, Morningstar PitchBook US Evergreen Fund Index, there are 170 total constituent funds, with over \$300 billion in net assets.

### Preliminary Data and Benchmark Considerations

It is important to note that the backcast data remain preliminary and are subject to revision. Nonetheless, these initial results offer valuable insight into the performance of the rapidly growing evergreen fund universe.

It should also be emphasized that peer group benchmarks carry inherent limitations. They are ex-post by nature and may be affected by survivorship and composition biases, variability in reporting and disclosure, and lag effects related to the timeliness of fund updates. These factors can impact both the completeness and comparability of observed performance trends and should be carefully considered when interpreting the data.

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### Exhibit 6: Summary of the Morningstar PitchBook US Evergreen Fund Indexes

Index name	Performance start date	Number of constituents	Total net assets (USD Billion)
Morningstar PitchBook US Daily Evergreen Fund	June 20, 2014	113	106.8
Morningstar PitchBook US Evergreen Fund	June 20, 2014	170	301.8
Morningstar PitchBook US Private Capital Evergreen Fund	June 20, 2014	150	298.4
Morningstar PitchBook US Private Debt Evergreen Fund	June 19, 2015	99	193.9
Morningstar PitchBook US Direct Lending Evergreen Fund	June 19, 2015	38	155.4
Morningstar PitchBook US Alternative Credit Evergreen Fund	June 19, 2015	61	38.5
Morningstar PitchBook US Private Real Estate Evergreen Fund	March 20, 2015	27	78.1
Morningstar PitchBook US Private Equity Evergreen Fund	September 17, 2021	11	10.1
Morningstar PitchBook US Private Multi-Asset Evergreen Fund	September 15, 2023	7	12.4
Morningstar PitchBook US Private Infrastructure Evergreen Fund	September 20, 2024	6	3.9

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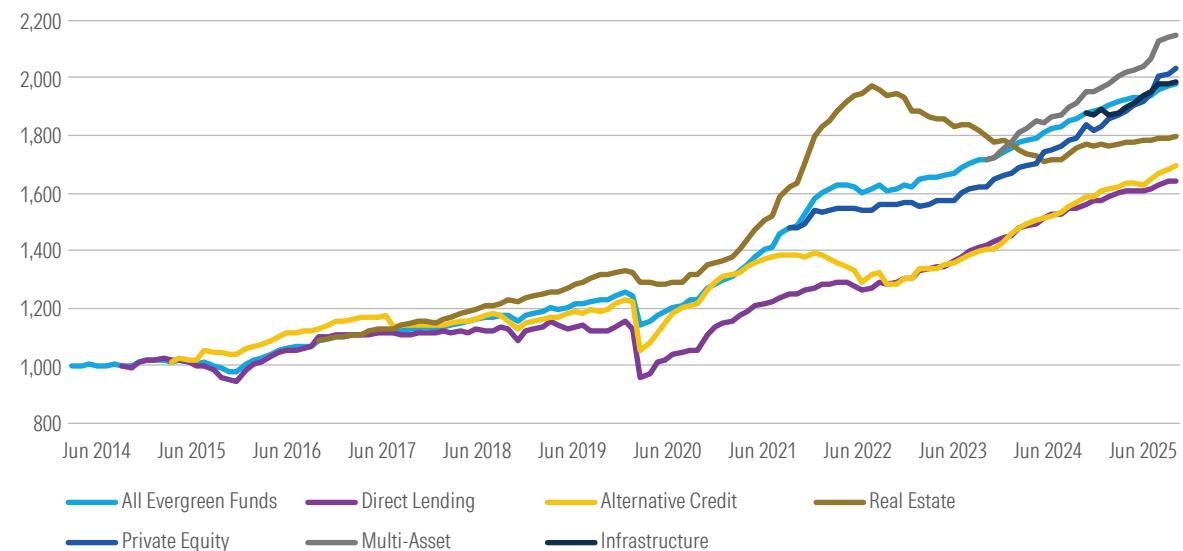
Source: Morningstar and PitchBook Data. Preliminary data, subject to revision. Data as of June 30, 2025.

## Are evergreen funds delivering?

Early results from the Morningstar PitchBook US Evergreen Fund Indexes indicate that semiliquid private market funds have provided a mixed performance profile relative to public alternatives. And while many vehicles are still quite young, with limited performance histories, the emerging data shows helpful patterns across strategies. For the purposes of this analysis, we will focus on the asset-weighted versions of the indexes.

Since inception, the Morningstar PitchBook US Evergreen Fund Index has delivered an annualized return of 6.4%, providing a useful high-level measure of the overall performance of semiliquid funds. The private capital subindex composite has returned essentially in line with the broader universe, reflecting the fact that the vast majority of AUM in evergreen funds are focused on private asset strategies.

**Exhibit 7: Index Performance: Select Morningstar PitchBook US Evergreen Fund Indexes**



Source: Morningstar and PitchBook Data. Each index is rebased to the level of the Morningstar PitchBook US Evergreen Fund Index at its respective start date. Data is preliminary and subject to change. Date range: June 30, 2014, to Aug. 31, 2025.

## Exhibit 8: Index Performance: Morningstar PitchBook US Evergreen Fund Indexes

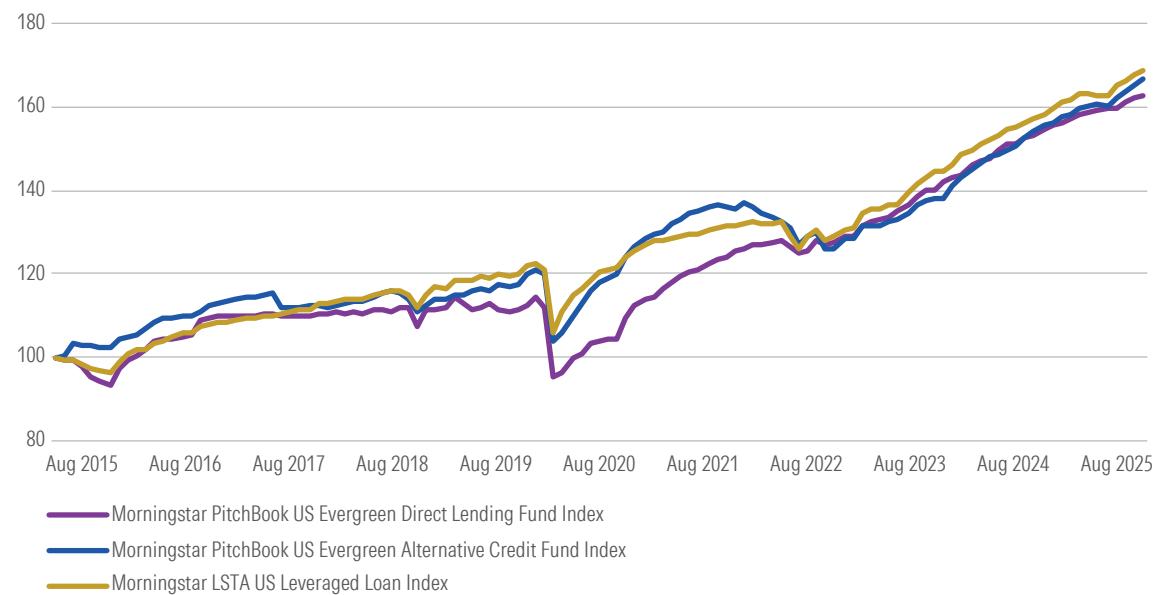
Benchmark						
Index	Performance start date	Return since start date (%)	1-Year return (%)	3-Year return (%)	5-Year return (%)	10-Year return (%)
Morningstar PitchBook US Daily Evergreen Fund	June 20, 2014	5.3	7.7	6.5	7.6	5.9
Morningstar PitchBook US Evergreen Fund	June 20, 2014	6.4	7.5	6.8	10.3	7.1
Morningstar PitchBook US Private Capital Evergreen Fund	June 20, 2014	6.5	7.6	6.8	10.4	7.2
Morningstar PitchBook US Private Debt Evergreen Fund	June 19, 2015	5.4	7.8	9.1	8.8	5.6
Morningstar PitchBook US Direct Lending Evergreen Fund	June 19, 2015	5.3	7.6	9.3	9.9	5.6
Morningstar PitchBook US Alternative Credit Evergreen Fund	June 19, 2015	5.1	8.5	8.6	7.2	5.2
<b>Morningstar LSTA US Leveraged Loan</b>	<b>June 19, 2015</b>	<b>5.2</b>	<b>7.3</b>	<b>8.9</b>	<b>7.0</b>	<b>5.4</b>
Morningstar PitchBook US Private Real Estate Evergreen Fund	March 20, 2015	6.1	2.9	-1.8	7.2	6.2
<b>Morningstar US Real Estate</b>	<b>March 20, 2015</b>	<b>4.8</b>	<b>0.8</b>	<b>4.3</b>	<b>6.3</b>	<b>6.5</b>
Morningstar PitchBook US Private Equity Evergreen Fund	September 17, 2021	9.5	13.7	9.3		
<b>Morningstar US Market</b>	<b>September 17, 2021</b>	<b>10.6</b>	<b>16.0</b>	<b>19.1</b>		
Morningstar PitchBook US Private Multi-Asset Evergreen Fund	September 15, 2023	12.0	12.3			
<b>Morningstar Moderate Target Risk</b>	<b>September 15, 2023</b>	<b>13.6</b>	<b>10.4</b>			
Morningstar PitchBook US Private Infrastructure Evergreen Fund	September 20, 2024	6.4				
<b>Morningstar Global Equity Infrastructure</b>	<b>September 20, 2024</b>	<b>7.9</b>				

Source: Morningstar and PitchBook Data. Preliminary data, subject to revision. Date range: June 20, 2014, to Aug. 31, 2025.

Among the major asset class indexes, the Morningstar PitchBook US Direct Lending and Alternative Credit Evergreen Fund Indexes have performed roughly in line with the Morningstar LSTA US Leveraged Loan Index since inception, with five-year returns favorable compared with the loan benchmark. However, widening discounts to NAV in the publicly listed BDC market<sup>10</sup> coupled with trailing one- and three-year horizon returns against loans for direct lending funds suggest performance has come under pressure.

<sup>10</sup> Fishlow, O., & Scigliuzzo, D. 2025. "BDCs, Private Credit's Most Popular Funds, Are Drawing Scrutiny," Bloomberg.

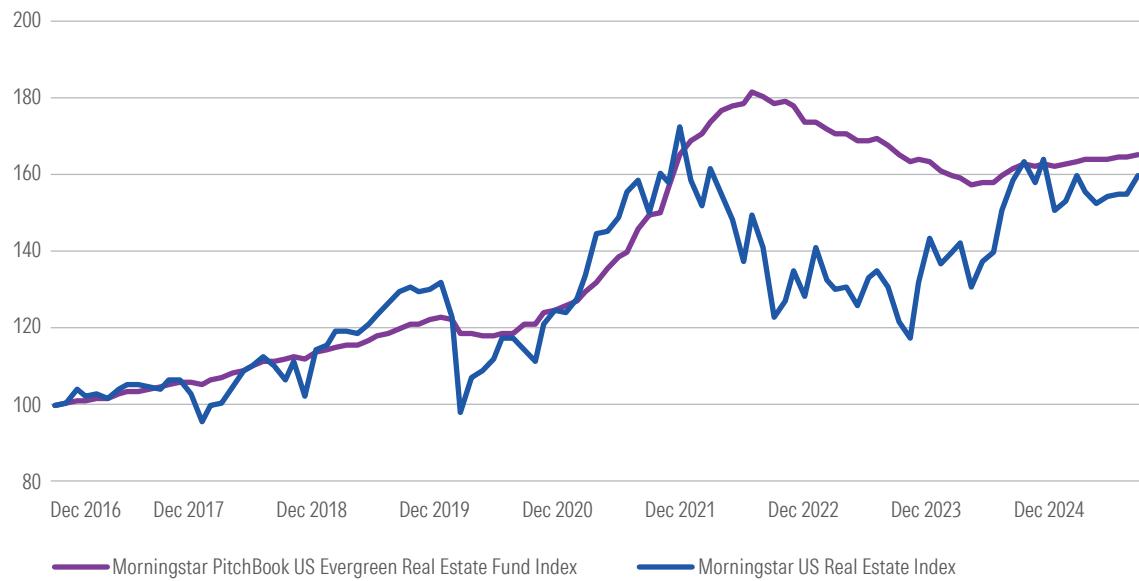
**Exhibit 9: Index Performance: Morningstar PitchBook US Direct Lending and Alternative Credit Evergreen Fund Indexes Versus Morningstar LSTA US Leveraged Loan Index**



Source: Morningstar and PitchBook Data. Index performance rebased to 100. Preliminary data, subject to revision. Date range: Aug. 31, 2015, to Aug. 31, 2025.

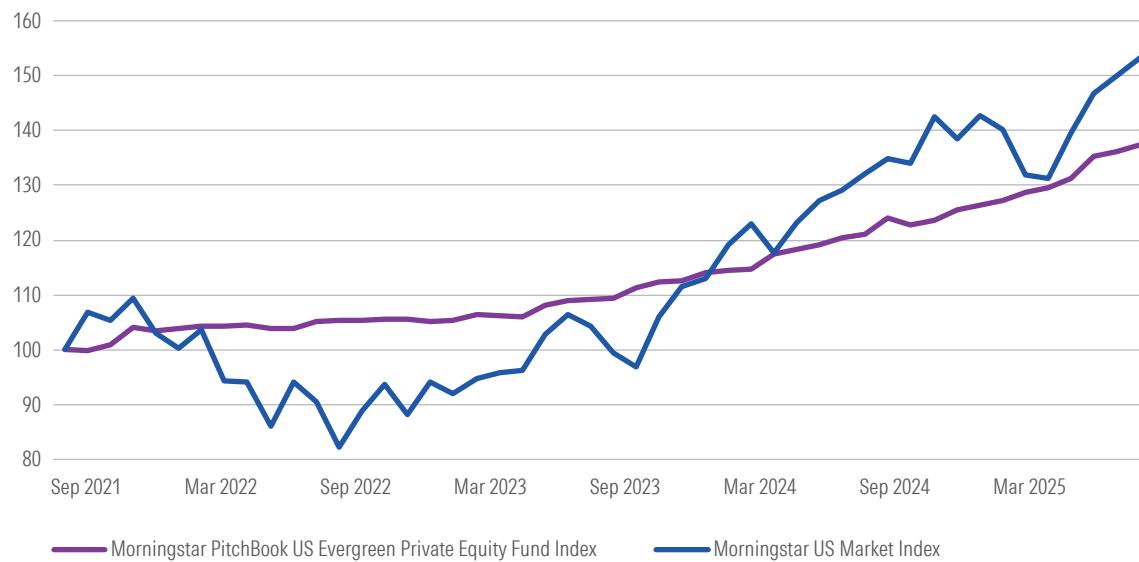
The Morningstar PitchBook US Private Real Estate Evergreen Fund Index has produced a 6.1% annualized return since its early 2015 inception, outpacing the Morningstar US Real Estate Index at 4.8%, though recent returns have softened amid higher rates and valuation pressure.

**Exhibit 10: Index Performance: Morningstar PitchBook US Private Real Estate Evergreen Fund Index Versus Morningstar US Real Estate Index**



The Morningstar PitchBook US Private Equity Evergreen Fund Index, meanwhile, has returned 9.5% annualized since its 2021 start date, modestly trailing the Morningstar US Market Index at 10.6%, with the gap widening over the last one- and three-year horizons amidst broader outperformance by public equities over private equity since late 2022.

**Exhibit 11: Index Performance: Morningstar PitchBook US Private Equity Evergreen Fund Index Versus Morningstar US Market Index**

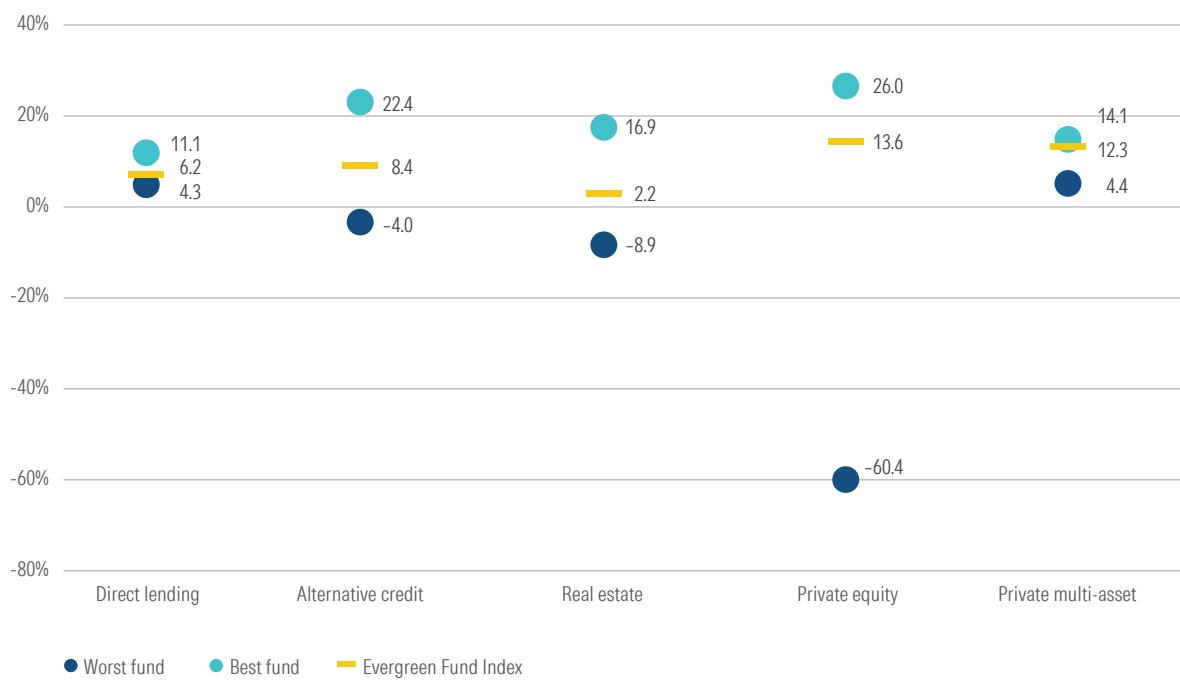


While the headline evergreen fund index performances versus public market comparables are a helpful starting point, wide performance dispersion is a defining feature of private markets, and it persists in the evergreen format. The range between top and bottom fund performance remains broad even over short-term horizons like the one-year returns shown in Exhibit 7. This wide dispersion emphasizes that manager selection is a key determinant of outcomes even in diversified, semiliquid fund portfolios.

It is worth noting that for the private equity evergreen funds, one particular vehicle has had abysmal performance (60.4% loss) and is in liquidation.<sup>11</sup> The next worst performer has returned a more respectable 9.1% over the 12 months ending in August 2025. Still, the data underscores that when things go south, the outcome can be painful.

<sup>11</sup> Tate, C. 2025. "Public/Private Fund Liquidity: What You Need to Know." Morningstar.

#### Exhibit 12: 1-Year Performance Dispersion, Individual Funds Versus the Respective Evergreen Fund Index



Source: Morningstar and PitchBook Data. Preliminary data, subject to revision. Date range: Aug. 31, 2024, to Aug. 31, 2025

Over time, as funds build longer track records and NAV appraisals respond to the ebb and flow of underlying market conditions, these peer-based benchmarks will become increasingly powerful tools for evaluating relative performance, risk, and persistence across the evolving evergreen fund universe.

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**Exhibit 13: Morningstar PitchBook US Evergreen Fund Index: Top 10 constituents**

Constituent	Weight (%)	Total fund net assets (USD Billion)	Inception date	Structure	Category
Blackstone Real Estate Income Tr Inc I	16.2	49.0	August 31, 2016	REIT	Real estate
Blackstone Private Credit I	14.7	44.4	January 7, 2021	BDC	Direct lending
Cliffwater Corporate Lending I	9.8	29.7	June 5, 2019	Interval fund	Direct lending
Blue Owl Credit Income Corp I	5.4	16.3	March 1, 2021	BDC	Direct lending
Apollo Debt Solutions Bdc I	4.8	14.5	January 7, 2022	BDC	Direct lending
HPS Corporate Lending I	3.5	10.4	February 3, 2022	BDC	Direct lending
Ares Strategic Income I	3.2	9.8	December 5, 2022	BDC	Direct lending
Oaktree Strategic Credit I	2.2	6.7	June 1, 2022	BDC	Direct lending
Cliffwater Enhanced Lending I	1.9	5.8	June 30, 2021	Interval fund	Alternative credit
Ares Industrial REIT Inc I-Pr	1.8	5.5	August 13, 2021	REIT	Real estate

Source: Morningstar and PitchBook Data. Preliminary data, subject to revision. Data as of June 30, 2025.

## Conclusion

Private market allocations in the wealth channel are expected to grow significantly over the next decade, potentially unlocking trillions in new capital for the private capital asset management industry. Semiliquid evergreen funds have emerged as a key access point to private markets.

Despite this rapid expansion and growing adoption by asset managers, platforms, and advisors, the segment has lacked standardized benchmarks. The Morningstar PitchBook Evergreen Fund Indexes address this gap by providing a robust, strategy-aware benchmarking framework. These indexes support performance evaluation, market analysis, and product development, offering a foundational tool as the evergreen fund space continues to evolve.

Morningstar and PitchBook are committed to delivering best-in-class benchmarking solutions that aid market participants in understanding and evaluating investment products. The indexes introduced in this paper represent an initial step, and feedback is welcome as the index suite expands alongside market developments.

# Appendix: Glossary

## **Evergreen Fund Structures**

**Evergreen Fund:** Also known as a semiliquid fund, this type of investment vehicle raises capital continuously and invests it over an indefinite period while providing some liquidity on periodic intervals. Unlike traditional private asset funds that have a fixed lifespan and deploy capital from commitments over time, evergreen funds operate on a perpetual basis, allowing them to accept new investments and make distributions to investors without a predetermined end date.<sup>12</sup>

<sup>12</sup> The current universe of evergreen funds targeting the wealth channel include vehicles structured as interval funds, tender offer funds, unlisted BDCs, and unlisted REITs.

**Interval Fund:** Interval funds are a type of closed-end investment vehicle regulated under the 1940 Investment Company Act. Unlike traditional closed-end private asset funds, they provide periodic liquidity through mandatory repurchase offers at predetermined intervals, typically quarterly or monthly. These funds operate under Rule 23c-3 of the 1940 Act, which requires them to make repurchase offers of between 5% and 25% of outstanding shares during each interval.

**Tender Offer Fund:** A tender offer fund is a 1940 Act, closed-end investment vehicle that provides investors with access to less liquid assets while still offering some degree of liquidity. Unlike interval funds with required liquidity schedules, tender offer funds allow for share repurchases at the discretion of the fund's board of trustees. These funds operate under specific SEC regulations, including Rule 13e-4 and Section 14 of the Exchange Act, which govern the repurchase process. When initiating a tender, the fund must notify shareholders, complete a Schedule TO, and file with the SEC.

**Unlisted Business Development Company:** Unlisted or nontraded BDCs are registered with the SEC and are subject to certain provisions of the 1940 Act, but they are not publicly traded like their exchange-listed counterparts. They are investment vehicles that provide financing to small and medium-sized businesses while offering investors the opportunity to invest in private companies. They typically invest in the debt and equity of private companies, with at least 70% of their assets invested in qualifying assets.

**Unlisted Real Estate Investment Trust:** Unlisted or nontraded REITs are investment vehicles that allow investors to pool their capital for real estate investments without being listed on public stock exchanges. Publicly registered, nontraded REITs must adhere to SEC reporting requirements under the 1940 Act. A REIT is required to invest at least 75% of its assets in real estate. Further, 75% or more of its gross income must come from rent payments, mortgage interest, or selling properties.

## **Morningstar PitchBook US Evergreen Fund Indexes: Private Capital Categories**

<sup>13</sup> Venture capital funds are equity funds that have at least 15% of their assets in illiquid securities, with a plurality of those illiquid securities being venture capital investments. The venture capital investments can be any combination of angel investments, early-stage, or late-stage.

**Private Capital:** Private capital funds include all funds classified as private equity, venture capital,<sup>13</sup> private debt, direct real estate, direct infrastructure, or private multi-asset.

**Private Equity:** Private equity funds are equity funds that have at least 15% of their assets in illiquid securities, with a plurality of those illiquid securities being private equity investments. Some common traits that distinguish private equity investments from venture capital investments are that they are established businesses in which an investor often takes a controlling stake or provides growth capital. They are commonly found in traditional equity sectors. Funds in the private equity category can also invest in other funds that gain exposure to private equity directly.

**Private Debt:** Private debt funds include all funds classified as direct lending or alternative credit.

**Alternative Credit:** Alternative credit funds are private debt funds that have at least 15% of their assets in illiquid securities, with a focus on debt that has been extended to private companies. Funds holding a variety of types of debt can reside here, including mezzanine, real estate, distressed, infrastructure, venture debt, leveraged loans, collateralized loan obligations, and direct lending, and others. However, funds that primarily focus on direct lending are classified in a dedicated category.

**Direct Lending:** Direct lending funds are private debt funds that typically focus on directly originating loans to private corporate borrowers. These borrowers are often unrated and tend to be small to medium-size companies.

**Direct Real Estate:** Direct real estate funds make equity investments in real property directly, or indirectly through funds that invest in real estate directly, rather than primarily through listed REITs. Direct investment gives investors much greater control over their investments but requires property management and property selection expertise. It also tends to be less liquid than indirect investment. Property types may include, among others, warehouses, residential multiunit, retail, and hotels.

**Direct Infrastructure:** Direct infrastructure funds make equity investments in infrastructure projects directly, or indirectly through funds that invest in such infrastructure projects directly, rather than indirectly through listed companies that are in the infrastructure space. Some examples of underlying projects are alternative-energy ventures, bridges, and data transmission and data storage projects.

**Private Multi-Asset:** Private multi-asset funds are those that have greater than 15% in illiquid securities but do not have enough concentration in equities, debt, real estate, or infrastructure to be classified into one of those categories. They typically have a mix of those asset types.

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