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

An expanding array of evergreen solutions now aims to deliver continuous private equity exposure for retirement plan participants. But not all evergreen approaches are created equal.

In this article, we explore why we believe "direct" co-investments are well suited for retirement-plan sponsors seeking to incorporate private equity investments into their defined contribution (DC) and defined benefit (DB) plans. We also discuss some of the key benefits of a multimanager evergreen approach relative to single-manager or hyper-diversified strategies.

Direct Co-Investing Within Evergreen Funds: Key Advantages for Retirement Plans

Unlike traditional drawdown private equity (PE) funds, evergreen vehicles can provide consistent PE exposure by enabling continuous deployment of capital and avoiding the typical fund's ramp-up/wind-down cycle, thereby helping mitigate reinvestment risk and temporary misallocation within defined-benefit and defined-contribution plans. At the same time, we find that not all evergreen PE vehicles are created equal—and that different approaches can materially influence potential outcomes for plan participants.

In our view, direct co-investments can offer the potential for attractive long-term risk-adjusted returns and align well with the operational complexities of evergreen PE funds in retirement plans. In a direct co-investment, an evergreen PE fund invests directly in a single private company alongside a lead GP and a range of other PE sponsors. We believe this approach can offer attractive *capital-efficiency, fee-efficiency and meaningful visibility* into a PE sponsor's underlying holdings, features that have the potential to improve net returns and strengthen overall risk management within evergreen funds.

Capital Efficiency: Putting Money to Work Immediately

Unlike traditional drawdown funds, evergreen funds must balance subscriptions, deployment and periodic liquidity needs. Co-investments can help deliver the capital efficiency required to meet these ongoing demands.

Direct co-investments inject capital directly into PE-owned portfolio companies, allowing dollars to begin working immediately and helping avoid the early portion of the PE "j-curve".[1] Rather than having to navigate uncertain capital-call schedules that come with traditional primary PE funds, direct investments can match deployment to real-time opportunities and retirement-plan 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.

We believe the deployment flexibility afforded by co-investment-driven evergreen funds is particularly well suited for target-date retirement vehicles designed to automatically adjust their allocations over time. Additionally, co-investments tend to avoid "blind pool" risk: Unlike traditional primary PE managers, co-investment managers know exactly which companies they are investing in when the funds are committed and can perform company-specific due diligence, thereby adding an extra degree of transparency.

Fee Efficiency: Lower Costs, Potential for Higher Net Returns

Retirement plans tend to keep a close eye on investment fees. We find that co-investments are typically more fee-efficient compared to other private-markets strategies and, all else equal, have the potential to generate higher net returns.

For example, a fund that includes investments in primary or LP-secondary funds usually charges management and performance fees both at the individual investment 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 GP.

We believe understanding this distinction 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 fund's offering documents.

Meaningful Visibility: Deeper Diligence, Better Risk Management

Traditional PE fund of funds can include hundreds of underlying companies, making comprehensive due diligence and ongoing monitoring of each asset a significant challenge. By contrast, co-investors often partner closely with lead sponsors and conduct their own diligence on potential investments. We believe this additional 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.

[1] 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.

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-manager 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 robust deal flow allows multimanager evergreen vehicles to deploy capital more efficiently and help 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 Team Risk	More	**Less**

Source: NBAA analysis.

Finally, given the widening dispersion in performance among PE managers, we believe manager selection matters more than ever for plan sponsors. With single-manager products, fiduciaries may second-guess their fund choice or wonder whether they need to add more than one fund to diversify their exposure; in our view, employing a multimanager approach can help plan sponsors hone selection across managers in their core areas of expertise.

Succeeding With Multimanager Funds: Understanding Hyperdiversification

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 primary PE investments or 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 plan participants: While existing participants benefit from a write-up, participants 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 hyperdiversified 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).[2] 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 hyperdiversified 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 plan fiduciaries to seek a reasonably diversified multimanager strategy with a targeted focus on creating operational value and compounding alpha over the long term.

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

Conclusion

As regulatory reform continues to favor the inclusion of PE in retirement plans, a growing array of evergreen funds now offers continuous exposure to the asset class for retirement plan sponsors to consider. As the opportunity set expands, we believe selection matters: In our view, how an evergreen fund invests, its use of direct co-investments, its approach to manager diversification and its emphasis on long-term value creation can meaningfully influence investment outcomes.

For plan sponsors seeking institutional-grade PE exposure in an evergreen structure that meets ERISA compliance standards, we believe a direct co-investment strategy—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 equity portfolios.

Furthermore, we believe plan sponsors should look for managers that understand which PE strategies are most appropriate for an evergreen structure and have the appropriate level of deal flow and capital-deployment capabilities necessary to properly manage an evergreen fund.

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