

DiligenceVault

Evergreen Fund Due Diligence Checklist

FOR ADVISORS AND ALLOCATORS

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Introduction

When evaluating evergreen fund structures, advisors and allocators must look beyond traditional closed-end fund frameworks.

Evergreen vehicles bring distinct considerations such as ongoing liquidity, dynamic valuation, and perpetual capital deployment. These features require dedicated operational infrastructure and adaptive portfolio management across market cycles.

The following sections outline the most critical due diligence questions, organized by category.

Get Started →

Team, Performance and Strategy

Past Return Drivers:

- What were the primary drivers of historical performance?
- Are returns based on repeatable strategies (e.g., direct investments) or non-repeatable factors (e.g., discounted secondaries)?
- Were any returns driven by one-time events that may not recur?

Deal Flow:

- Does the manager have access to steady, high-quality deal flow to meet ongoing deployment needs?
- Is deal sourcing proprietary?
- How is allocation prioritized between evergreen and closed-end vehicles?

Team Pedigree:

- Does the team have demonstrated experience managing perpetual capital structures? Do they have core competencies in private markets?
- If the fund integrates ESG or impact goals, does the team have domain expertise to deliver both financial and non-financial outcomes?

Alignment of Interests

- What is the GP/manager's capital commitment to the fund?
- Are performance fees aligned with long-term investor value creation?
- Is there any fee leakage between evergreen and affiliated vehicles?
- Are fee terms (e.g., performance hurdles, tiered fee breakpoints) appropriate given the perpetual structure?

Team, Performance and Strategy

Performance Metrics: Advisors need to understand that the performance metrics may not be directly comparable due to differences in structure and underlying liquidity management.

- What performance metrics are reported (e.g., IRR, MOIC, NAV per share)?
- How do returns compare to similar closed-end funds, adjusting for liquidity, leverage, and fees?

Portfolio Construction: Understanding the precise strategy helps assess risk and alignment with investor goals.

- What is the investment strategy: private credit, equity, secondaries, or a mix?
- Does the investment strategy include fund investments, or co-investments with successful GPs?
- Is the fund built for income generation, capital appreciation, or a blend?
- What is the maturity profile of the portfolio? How is portfolio diversification managed over time?
- What is the approach to managing idle cash and limiting performance drag?

Next Category: Operation and Liquidity Management

Operational and Liquidity Management

Redemption and Subscription Process:

- What is the manager's operational strength in handling continuous redemptions and subscriptions?
- Is there a clear, robust process with a proven track record?
- What are the notice periods and settlement timelines for subscriptions and redemptions?
- Has the fund historically met redemption requests without delays?

Valuation Process:

- How does the manager strike the fund's monthly NAV and ensure fair valuation of illiquid assets?
- Does the fund use independent, third-party valuation agents, and is there a clear policy for how valuations are adjusted especially during periods of stress?

Liquidity Stress:

- How is the fund's ability to manage liquidity stress tested, and how frequently is it stress-tested? Are results of stress tests shared with investors?
- What tools are in place to manage redemption surges (e.g., gates, holdbacks, queues)?

Investor Relations:

- What educational materials are provided to help investors understand the evergreen model?
- How does the manager support wealth advisors and RIAs in educating end clients?
- Is ongoing performance and liquidity communication clear and timely?

Operational and Liquidity Management

Cross-Fund Allocation: Advisors should ensure there is a clear and fair process that prevents "cherry-picking" of the best deals for other funds.

- What governance exists to ensure fair allocation across the manager's funds?
- Are there policies to avoid preferential deal allocation to flagship or closed-end funds?
- Are cross-trades allowed? If yes, please provide the governance and approval process around these.

Cash Drag:

- How does the fund manage liquidity sleeve to meet redemptions while minimizing cash drag on performance?
- What is the average cash balance, and what is the policy for deploying new capital?

Mass Reporting and Taxes: Advisors should confirm the manager has the infrastructure to handle the complexities of a large, diverse investor base.

- What operational processes are in place to provide mass reporting and simplified tax disclosures (like a 1099)?
- Is digital reporting offered for investor transparency?

Use of AI: How are asset managers using AI and automation to enhance evergreen fund operations?

- Machine learning–driven risk assessment
- Predictive liquidity modeling
- Automated compliance and redemption queue monitoring
- Investor segmentation and matching algorithms
- Other areas

Key Documents to Request

To validate operational readiness and strategy alignment, request:

- Statement of Additional Information (SAI)
- Valuation policy document
- Redemption history, and liquidity risk management program
- Sample quarterly report
- ESG/impact methodology (if applicable)
- Fee schedule summary
- Cross-fund allocation policy
- Audited financial statements
- Track record of closed-end vs. evergreen performance

Conclusion

Evergreen funds present unique opportunities and challenges that demand a tailored approach to due diligence. By focusing on operational infrastructure, investor education, and the role of AI in enhancing fund operations, advisors and allocators can better assess long-term sustainability. A thoughtful evaluation across these areas ensures that evergreen structures deliver on their promise of flexibility, resilience, and lasting value.

For a deeper look at the trends driving evergreen fund adoption and how this checklist fits into the bigger picture, read the full blog.

Read the Blog