

Evergreen Private Credit Funds: A Structuring Guide

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As global credit markets have matured since the financial crisis era, private credit has gradually evolved into a mainstream asset class. Yet, the challenging fundraising environment has not spared this market. In response, sponsors have increasingly focused on addressing, on the one hand, institutional investors' demand for greater liquidity and investment options and, on the other, the growing appetite for private assets from the high-end retail and private wealth segment. Evergreen private credit fund solutions offer a way to meet these evolving demands.



(RAIF), each forming a legally ring-fenced pool of assets and liabilities. Using separate share or interest classes is an alternative, but segregation is only contractual and lacks the statutory protection of RAIF compartments, cross-contamination risk remaining.

Semi-liquid NAV-based model

Looking beyond traditional locked-in capital funds, sponsors may consider semi-liquid fund structures. Here, subscriptions are net asset value (NAV) based and processed on a continuous basis at a predetermined frequency. Subscriptions may be structured either as fully funded upon investment (more common in private-wealth offerings), or through a hybrid mechanism adapting

the traditional commitment/drawdown model. In the latter case, commitments are drawn at the sponsor's discretion and result in the issuance of interests or shares at NAV. The drawdown sequence may range from a 'first-in, first-drawn' approach (the so-called queued model) to a pro rata allocation approach (the unqueued model).

The queued model rewards early subscriptions and encourages investors to commit sooner, whereas the unqueued model is preferred when the aim is to ensure equal treatment of all investors regardless of subscription date. Sponsors generally become eligible to receive a performance fee (also referred to as incentive allocation) once the fund has generated returns for investors that exceed a predefined preferred return or hurdle rate. Such preferred return represents the minimum annualised rate of return that must first be allocated to investors before the sponsor may be entitled to in any share of the fund's profits.

Compared with vintage models, the NAV-based subscription model places significant reliance on the robustness of the NAV because the NAV serves as the basis for determining investor entry and exit pricing, but also as the reference point for calculating the sponsor's performance fee.

Exit mechanisms allow investors to exit the fund at NAV and may take several forms. Investors may be granted redemption rights during predefined liquidity windows, with withdrawals typically subject to a quantitative cap on investor redemptions in each dealing period. Such cap better allows the sponsor to align redemption flows with the orderly generation of liquidity. More innovative liquidity solutions may also be implemented, such as run-off, by which investors cease to participate in new investments and remain exposed only to the existing portfolio, with withdrawals occurring once the underlying assets have been realised in their natural order; and/or matching, whereby redemptions are funded to the extent they are covered by cash inflows from new subscriptions. These solutions have the benefit of avoiding forced asset disposals to create liquidity.

Institutional NAV-based funds can be efficiently established as unregulated special limited partnerships (SCSp) issuing units to investors at NAV and can also adopt the RAIF regime. Alternatively, depending on investor preferences, the fund may be established as a corporate partnership limited by shares (SCA) to preserve the traditional GP/LP governance model. In this case, the SCA should be structured as an investment company with variable capital (SICAV) under the RAIF regime, allowing for flexible and efficient adjustments to the fund's share capital.

When targeting high-end retail investors, the fund, whether structured as an SCSp, an SCA, or a public limited company (SA), will typically opt for the Part

II undertaking for collective investment (Part II UCI) regime. This regime requires prior regulatory approval and ongoing supervision and is well-suited to private-wealth distribution channels given the absence of investor-eligibility criteria beyond the standard € 25,000 minimum investment.

Key considerations

Compared to conventional locked-in capital funds, evergreen private credit funds introduce additional structural and operational complexity. Sponsors can address these challenges through rigorous product design and early operational planning.

Liquidity

Balancing inherently illiquid assets with investor liquidity expectations is critical. While loan cash flows can to some extent help meet redemption requests, underlying loans are generally illiquid and cannot be readily sold on the secondary market. Semi-liquid funds therefore have limited liquidity unless they hold a significant allocation to highly liquid assets, which would however dilute returns. Sponsors must ensure that the portfolio's liquidity profile is aligned with the liquidity terms offered to investors.

Valuation

Valuation is another core concern for NAV-based evergreen funds. The timing and pricing of subscriptions, redemptions, and performance-fee crystallisation all depend on the fund's ability to produce a robust and frequent NAV. Because these assets lack observable market prices, this ability hinges on factors such as the predictability of cash flows, the determination of appropriate discount rates, and the quality and timeliness of borrower information. Ultimately, selecting the right valuation methodology, and ensuring that NAV calculations rely on sufficiently objective, evidence-based inputs, will be pivotal in assessing whether a vintage model or a NAV-based structure is more suitable.

Fund operations

To ensure the operational feasibility and efficiency of a NAV-based evergreen model, fund operations must be given careful consideration. Sponsors should engage early with their fund administrator to align on key parameters such as dealing frequency for subscriptions and redemptions, NAV calculation processes, investor onboarding, and reporting requirements. These become even more critical for NAV-based subscription funds and those marketed to non-institutional investors, where enhanced operational capabilities are required for distribution, investor onboarding (including AML/KYC), NAV and performance fee calculations and investor reporting.

Portfolio allocations

Sponsors managing evergreen private credit funds alongside closed-ended strategies must establish a clear and robust investment allocation policy. It is essential to articulate the methodology used to allocate investment opportunities as they arise, and to disclose the related risks to investors to mitigate the risk of subsequent disputes. Conflicts of interest may arise where the sponsor is incentivised to prioritise a vehicle with continuous subscription inflows, allowing it to deploy cash immediately and preserve yield, over a fund operating under a commitment/drawdown model, where the sponsor controls the timing of capital inflows. However, continuous inflows may also place pressure on sponsors to deploy capital rapidly to generate returns, potentially at the expense of securing optimal investment opportunities.

Regulatory outlook

EU Member States are currently implementing the second alternative investment fund managers directive (AIFMD 2), introducing requirements expected to have a significant impact on evergreen private credit funds, with a view to strengthen investor protection and mitigate systemic risk.

Funds engaging in loan-origination activities and managed by EU alternative investment fund managers (AIFMs) will become subject to additional obligations. These include maximum exposure limits to certain restricted borrower types (such as other AIFs, UCITS, or regulated financial undertakings), the impact of which will depend on the fund's strategy. More significantly, the new rules introduce a mandatory risk-retention requirement, obliging a fund to retain 5% of the notional value of any loan it originates and subsequently transfers to third parties. Should such funds have an investment strategy to mainly to originate loans, or whose originated loans have a notional value that represents at least 50% of NAV, will qualify as loan-originating AIFs under AIFMD 2. They will also be subject to maximum allowed exposure-to-NAV limits, set at 175% for open-ended AIFs and 300% for closed-ended AIFs, calculated using the commitment method (such method implies the deduction, from the overall exposure of the AIF, of certain positions such as hedging and netting techniques). Loan-originating AIFs should be closed-ended unless the AIFM demonstrates that the liquidity-risk framework is compatible with the fund's strategy and redemption terms.

Evergreen private credit funds that qualify as open-ended funds will also be required to include, in their rules or instruments of incorporation, at least two liquidity management tools (LMTs). From a regulatory standpoint, a fund would typically qualify as an open-ended fund where redemptions are processed at the request of an investor and out of the fund's assets, with the related procedures and frequency set out in the fund documents. Where redemption features are subject to the discretion of the fund or its manager (such as during a run-off), an evergreen fund is typically classified as closed-ended. Therefore, the redemption terms should be considered with an increased scrutiny in the product design phase. The referred above LMTs include redemption gates, extensions of notice periods, redemption fees, swing pricing, dual pricing, anti-dilution levies and redemptions in kind. Other tools such as suspensions, side pockets or lockups may also be used alongside to the mandatory LMTs.

Conclusion

Private credit continues to show strong momentum, with over 90% of investors planning to maintain or raise allocations and assets under management set to hit record highs. Against this backdrop, evergreen private credit funds continue to gain momentum. While these structures have so far been more commonly adopted by established managers given their operational and portfolio-management complexities, the model is rapidly developing, with growing uptake among European sponsors. The expansion of the private wealth segment is accelerating this trend.

As non-institutional investors seek access to private markets, evergreen structures offer a compelling solution by combining long-term private credit exposure with controlled liquidity features. AIFMD 2 is not expected to undermine the appeal of evergreen private credit funds. However, sponsors should anticipate the revised regulatory framework, particularly in relation to loan-origination rules, leverage limits and liquidity management, and ensure that compliance features are embedded early in product design. In practice, regulatory evolution is likely to reinforce, rather than diminish, the importance of robust structuring and governance for evergreen strategies.

Evergreen private credit funds come in a wide variety of formats, but they all have a perpetual life and operate through ongoing fundraising and continuous investment activity. Because investors cannot be locked indefinitely, these structures provide a degree of liquidity while still enabling exposure to longer-dated, inherently illiquid assets. Hence, evergreen funds are often described as "semi-liquid", reflecting the need to balance investor redemption features with the preservation and stability of the fund's underlying asset portfolio. They allow investors to gain flexibility in asset allocation, timing of deployment and exit options, while sponsors benefit from the diversification of their earnings model, but also from the ability to hold loans to maturity, supporting a genuinely long-term investment strategy.

This article explores the core structuring models driving this evolution and highlights the key considerations sponsors should address when designing such products.

Structuring options

There is no one-size-fits-all approach to evergreen private credit funds. Luxembourg has proven particularly effective in supporting a wide range of structures, which can be established as standalone vehicles, but are also frequently integrated into existing structures, either as feeder funds or as co-investment vehicles.

Vintage model

Sponsors seeking an evergreen vehicle while maintaining operational proximity to a traditional locked-in capital flagship fund often favour the "vintage model". Under this model, multiple vintages succeed one another within the same fund vehicle, each operating like a closed fund and offering investors the possibility to roll their unused commitments and returned capital into subsequent vintages. Each vintage therefore features a defined subscription period and distinct investment cycle, with the sponsor being compensated through a classic carried interest waterfall. Investors may either roll into the next vintage or opt out, thereby exiting the fund.

Given their similarities to closed-ended structures, vintage funds are generally well suited to institutional investors, who are most familiar with this model and typically do not prioritise liquidity. Instead, their focus is often on ensuring continued access to the sponsor's strategy in future vintages. In this context, rolling commitments into a subsequent vintage can be executed more efficiently from a cost and timing perspective than onboarding into an entirely new fund. Vintages may be set up as separate compartments of an umbrella reserved alternative investment fund

Une nouvelle année à deux chiffres pour les marchés émergents ?

Par Mabrouk CHETOUANE, Head of Global Market Strategy, Natixis IM

En dépit du contexte géopolitique et de l'incertitude économique introduite par la nouvelle administration américaine, les marchés actions dans la sphère émergente ont connu une année 2025 tonitruante. Le MSCI émergent clôture l'année à +34 %, son compartiment asiatique à +33 % et son compartiment sud-américain à +56 %.

Quels ont été les déterminants cette performance robuste ?

Lorsque l'on analyse les performances des indices actions émergents, quatre facteurs expliquent usuellement les dynamiques. Elles ont toutes été positives au rendez-vous en 2025 : un dollar qui se déprécie, des taux souverains américains qui baissent grâce

à un soutien accru de la réserve fédérale, une réduction notable des prix des matières premières énergétiques ainsi qu'une conjoncture mondiale résiliente.

Ces facteurs baissent les coûts de financement des entreprises et amoindrissent les charges opérationnelles tout en accroissant leurs résultats.

La performance géographique, lorsque décomposée entre contribution de la croissance bénéficiaire des entreprises attendue et valorisation, le cas échéant sentiment, montre cependant une dichotomie.

Si le MSCI Asie a vu la croissance bénéficiaire attendue contribuer à hauteur de 52 % de la performance, ce facteur n'explique que 19 % de la performance de son homologue sud-américain. Une part de cette différence s'explique par le biais technologique et financier qui caractérise le MSCI émergent asiatique tandis que le MSCI LATAM est principalement exposé aux secteurs financiers et miniers et dans une certaine mesure au secteur énergétique.

Les facteurs qui ont permis aux indices émergents de progresser l'an passé seront-ils au rendez-vous en 2026 ?

A cet égard, la dichotomie observée entre la zone Asie émergente et l'Amérique Latine pourrait s'accroître. Tout d'abord, la stabilité du dollar attendue en 2026 ne devrait pas soutenir les actifs émergents et les investisseurs ont d'ores et déjà pleinement intégré les baisses de taux de Fed.

Par ailleurs, la région asiatique reste éloignée de considérations géopolitiques qui impliquent les États-Unis, l'Union européenne et l'Amérique Latine. Cet éloignement agit comme une sorte de bouclier que décorelle et diversifie l'exposition aux actifs risqués en particulier dans la sphère émergente.

En outre, la principale différence entre l'Asie émergente et les autres marchés de ce segment est l'exposition aux thématiques liées à l'IA, les semi-conducteurs et les nouvelles technologies dans une

plus grande mesure. Les derniers chiffres de ventes de semi-conducteurs montrent que la zone Asie-Pacifique a progressé plus vite que les États-Unis faisant de cette zone le premier contributeur à l'échelle mondiale, la Chine reste un concurrent direct et premier ordre en matière d'intelligence artificielle et accentue encore plus sa domination dans le secteur de la robotique.

La croissance des bénéfices attendue pour 2026 pour les entreprises du Kospi atteint 58 % et 21 % pour les entreprises de l'indice taiwanais et ces projections sont largement supérieures à celles des pays du G7. Le Brésil ou le Mexique ou même les pays d'Europe émergente ne présentent pas de telles perspectives.

Facteur aggravant, les économies du bloc émergent qui ont une exposition au facteur énergie pourraient voir leur situation se dégrader en raison des pressions baissières sur le prix du pétrole.