



Explaining Private Asset Returns: Why Similar Investments Can Lead to Different Client Outcomes

Closed-end and evergreen funds can invest in similar assets—but how and when investors receive returns can look very different.

Structure Is the Starting Point—It Determines How Money Is Invested and Returned.

Closed-end and evergreen structures represent two distinct capital paths: one based on finite deployment and realization, the other on continuous investment and reinvestment. These differences shape how money is invested, returned and grows over time.

Closed-End vs. Evergreen Private Equity: Life Cycle and Return Lens



Closed-End (Drawdown) Fund

- Capital called over time
- Finite life; realized via exits
- Distributions return capital
- Results depend heavily on when investments are realized

Return lens: Internal rate of return (IRR)

Evergreen (Perpetual) Fund

- Capital invested continuously
- Indefinite life; periodic liquidity
- Proceeds reinvested
- Results build over time through reinvestment

Return lens: Total return (time-weighted return or “TWR”)

Closed-end structures follow a defined investment and exit cycle, while evergreen structures maintain continuous exposure with periodic liquidity, subject to fund terms.

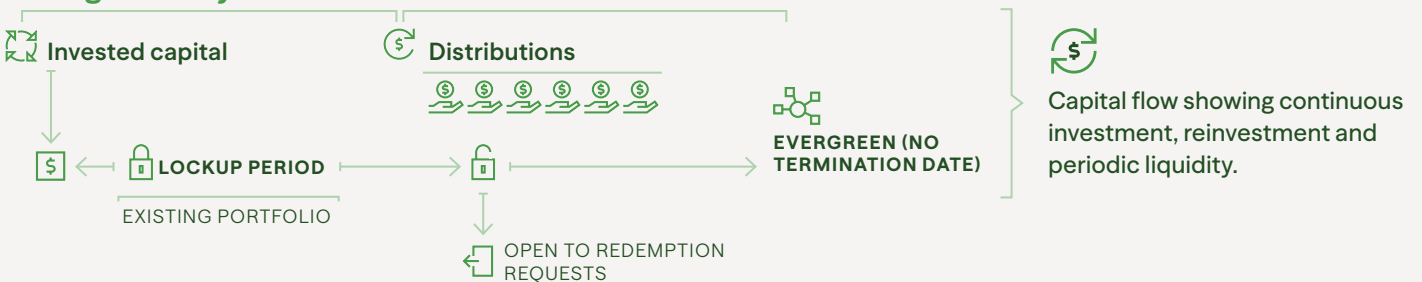
Capital Flows in Practice

The examples below show how money is invested, returned and reinvested over time.

Finite-life drawdown



Evergreen fully funded



For illustrative purposes only.



Key Takeaway

Private funds can be structured as finite or evergreen, shaping liquidity, return dynamics and how investors experience the investment over time.









Use the Right Method to Measure Returns

Different structures require different ways of measuring performance. Private asset returns can be viewed through two distinct lenses, designed to answer different questions:

- **IRR** measures the return investors earn, based on when they invest and when they receive cash back.
- **TWR** measures how the investments perform, unaffected by when money is added or withdrawn.

Each works for a different purpose. Neither is universally “right.”

Category	Internal Rate of Return (IRR)	Time-Weighted Return (TWR)
 Definition	Annualized return that incorporates the timing and size of investor cash flows.	Return measure that isolates asset performance by removing the impact of investor cash flows.
 Primary Question Answered	How efficiently was capital deployed and returned over time?	How did the asset or portfolio perform over time?
 Cash-Flow Treatment	Explicitly includes capital calls and distributions; timing materially affects results.	Neutralizes external cash flows; assumes continuous investment.
 Most Applicable to	Closed-end, drawdown private equity funds with finite lives.	Evergreen or open-end structures with ongoing subscriptions and reinvestment.
 Advantages	Reflects the investor’s realized capital experience and exit timing.	Enables cleaner performance comparison across periods and market conditions.
 Limitations	Can be influenced by early exits or short holding periods.	Does not reflect liquidity timing or the capital-return experience.



In Summary

Structure determines how money is invested and returned. That determines how performance should be measured. And that shapes the outcome.



Key Takeaway

Using the right method to measure returns leads to better comparisons, clearer communication and better alignment with investment goals.

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