00:00:00:20 - 00:00:26:10
Emily Reagan
Emily Reagan: Hi everyone, and thanks for joining our session today. I'm Emily Reagan, global head of Evergreen products for alternative capital formation at Goldman Sachs. I'm pleased to be joined by Stephanie Richards, head of our European and Middle East alternatives for third-party wealth, and Guillaume Schils, head of our Americas alternatives business for third-party wealth here at Goldman Sachs Asset Management.

00:00:26:10 - 00:00:52:12
Emily Reagan
We're here today to discuss a bit about our evergreen alternative investment funds. The webinar will cover advantages of these sorts of structures, which are open-ended in nature. The key strategic considerations for investors when they're contemplating investments in these sorts of products, and the market trends that are driving their growth, including the role that they play in private market portfolios.

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Emily Reagan
Before we get started, just want to give a bit of background on the context of the Goldman Sachs alternatives platform as we engage in this discussion, because it informs our viewpoint in the conversation. Goldman Sachs is one of the world's largest and most experienced alternative asset managers in the world. We're supported by 1000 investment professionals. We have $542 billion of alternatives assets and nearly 40 years of experience in the industry.

The

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Emily Reagan
platform benefits from a global sourcing network spanning the world, and the firm offers us very deep industry knowledge, regional expertise and capital markets insights. Leveraging this vast network enables us to better understand emerging technologies and fund offerings and formation, such as the evergreen funds we're going to talk about today, and we're really excited to speak with you.

Before I start the group discussion with Stephanie and Guillaume,

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Emily Reagan
I just want to briefly introduce what defines an evergreen fund. What is an open-ended structure and how does it fundamentally differ from a closed-end product? Evergreen alternative funds are open-ended vehicles that enable investors to subscribe over a longer-term horizon with the optionality for liquidity in the event that it's available.

This is very different than the prior decade’s long experience that most alternatives investors have had through closed-end drawdown vehicles, whereby an investor makes a commitment up front and funds that capital over the course of time.

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Emily Reagan
It may be years until those distributions begin, and then the realization wind down and wrap up of those funds often follows in eight or ten more years.

In the case of evergreen structures, which have become far more common in the market, investors have the option to subscribe in increments of time. Many of these products are monthly or quarterly in nature and with respect to redemptions,

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Emily Reagan
similar cadence. This really enables a much more dynamic participation in the structure for someone who's eager to get access to alternatives.

The J-curve is also something that clients have often faced in the context of making investments in alternatives, which are often perceived as illiquid. That's a topic that we'll talk about today. Evergreen structures enable that experience to be smoothed over time and now are available across asset classes, including private credit, private equity, infrastructure, real estate and secondaries.

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Emily Reagan

Stephanie, following on from that, can you describe for us what the primary benefits of evergreen funds are from your perspective? You spend a lot of time with clients throughout the EMEA region, and what does it mean and how does it compare to the traditional investment vehicles that we're used to? Yes. Definitely.

Stephanie Richards: Yes. Definitely. Good afternoon, everyone.

00:03:59:23 - 00:04:25:20
Stephanie Richards
It's great speaking with all of you. There are several benefits of evergreen investing for investors today, if we look at this. First of all, starting out, you get 100% deployment on day one into the vehicle. This is one of the key focuses and it benefits investors. Given you're coming into a diversified portfolio of assets versus a closed-end fund where you might make a commitment, but that fund might not have actually made any investments yet

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Stephanie Richards
when you have initially ascribed, and rather the fund manager commits to those investments over the next maybe two, three, four or even five years, essentially.

As Emily mentioned, this helps mitigate the J-curve, it provides you with that 100% exposure. In addition, you actually have the transparency into the underlying portfolio, where you can see the underlying holdings as well.

00:04:48:08 - 00:05:11:21
Stephanie Richards

From a diversification perspective, given the fact that there's a portfolio that's already been put to work, you can actually have exposure across past vintage years, across various investment stages, various deal types. This can help reduce concentration and risk relative to closed-end funds.

From an implementation perspective, it's a much simpler implementation. Operationally, it funds 100% on day one.

00:05:11:22 - 00:05:35:23
Stephanie Richards
You do not need to balance the capital calls or distributions that you might see in a closed-end fund, where capital is called over several years and then maybe distributed over several years. You might have to deal with wiring money in or receiving money back from distributions across a variety of time periods, essentially.

We talked a little bit about transparency and seeing the underlying investments in the portfolio.

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Stephanie Richards
From a valuation and reporting perspective, these evergreen vehicles also provide more access to real-time performance information relative to traditional closed-end funds, which generally might report on a quarterly basis or on a slower basis than what you would expect to see from the evergreen vehicles.

From a performance perspective, given you are funding 100% on day one, you also get the benefit of compounding, since you have this immediate exposure.

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Stephanie Richards
The compounding starts right from the beginning. This can result in a higher multiple of capital. For example, for an evergreen vehicle, it is expected that actually you could get close to a two times net multiple in around eight years after inception versus for a drawdown fund, you would actually get that same two times net multiple, but it would take three years longer.

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Stephanie Richards
It would be around year 11 after inception. The benefit of compounding from a performance perspective is quite powerful for an investor, when you think about this longer term.

From a liquidity perspective, these vehicles generally, they offer more periodic liquidity, which makes them have the potential to have shorter duration. They generally have monthly or quarterly redemptions. Clearly, these are subject to a cap,

00:06:50:22 - 00:07:20:13
Stephanie Richards
so you need to be cognizant of potential other investors that might need to redeem at the same time. Clearly, this can be, assuming you can redeem out, much shorter in duration than a closed-end fund, where maybe that

fund has a ten-year-plus fund life, where you're locked into that vehicle, essentially.

Then wrapping all of this together, evergreen vehicles can really complement existing closed-end historical private equity funds that you may have within your portfolio.

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Stephanie Richards
This diversification can give you different exposure to different types of managers or different strategies, and they compare well together, which we'll walk through a little bit later in detail in today's conversation. In aggregate, there's clearly a variety of benefits for investors, everything from 100% exposure to the compounding of returns from a performance perspective to also having liquidity, which makes this quite interesting in a growing asset class.

Emily Reagan: Thanks,

00:07:47:05 - 00:08:09:22
Emily Reagan
Stephanie. That's really, really helpful. Guillaume, this isn't a new concept entirely, evergreen funds have existed for quite some time, in particular in credit and real estate. When you think about the available asset classes in this format, how would you distinguish them? What are the unique considerations and how do you think about the conversations when you chat with our clients?

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Guillaume Schils:
Guillaume Schils:Yeah. You're spot on. Obviously, these are not necessarily new structures, but the phenomenon, the current environment that we're in, you could summarize is really growing over maybe the last ten years. Frankly, you can access all the different sub-asset classes of alternatives these days, it seems in evergreen structures.

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Guillaume Schils:
Maybe, I'll address it chronologically, just going back in time.

I'd say, the modern phenomenon of evergreens really started with core, core plus real estate, now close to a decade ago. That's led to this huge increase in launches and innovation in the space over the last decade. Within private real estate, there are a couple of different structure types that you typically come across: non-traded

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Guillaume Schils:
REITs, of course, interval funds, registered evergreen funds are the three most common structure types.

The strategies within private real estate are typically focused on owning stabilized, developed, highly leased-up income-flowing properties across major real estate sub-asset classes. You think of multifamily, retail, logistics, industrial, office, so on and so forth. What you don't

see in evergreen real estate funds, not typically at least, is the riskier side or the longer hold forms of real estate investing.

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Guillaume Schils:

Things like ground up development, special sits or heavy value add or opportunistic or repositioning real estate. That obviously makes sense. You don't want those stickier, higher octane forms of real estate investing in an evergreen monthly or quarterly redemption package. You don't want that mismatch.

The other benefit there is the steady income stream from highly leased up cash flowing properties gives you a nice income stream, and that provides some benefit of liquidity, of course.

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Guillaume Schils:
Look, as always with real estate, there's a ton of considerations that you have to think through when you're evaluating this asset class. We could take, frankly, the whole time to just talk about this.

A couple of things that we really focus on here, obviously exposure to the different sub asset classes within real estate, of course, with real estate interest rates and their trajectory, the use of

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Guillaume Schils:

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Guillaume Schils:

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Guillaume Schils:

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Guillaume Schils:

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Guillaume Schils:

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Stephanie Richards

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Stephanie Richards

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Stephanie Richards

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Stephanie Richards

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Stephanie Richards

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Emily Reagan

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Emily Reagan

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Emily Reagan

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Emily Reagan

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Emily Reagan

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Emily Reagan

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Emily Reagan

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Emily Reagan

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Stephanie Richards

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Stephanie Richards

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Stephanie Richards

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Stephanie Richards

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Stephanie Richards

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Stephanie Richards

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Guillaume Schils:

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Guillaume Schils:

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Guillaume Schils:

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Guillaume Schils:

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Guillaume Schils:

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Guillaume Schils:

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Guillaume Schils:

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Guillaume Schils:

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Emily Reagan

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Emily Reagan

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Emily Reagan

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Stephanie Richards

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Stephanie Richards

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Stephanie Richards

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Stephanie Richards

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Guillaume Schils:

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Guillaume Schils:

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Emily Reagan

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Emily Reagan

00:40:31:02 - 00:40:51:10
Stephanie Richards

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Stephanie Richards

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Stephanie Richards

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Stephanie Richards

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Stephanie Richards

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Stephanie Richards

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Stephanie Richards

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Stephanie Richards

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Stephanie Richards

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Emily Reagan

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Emily Reagan

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Emily Reagan

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Guillaume Schils:
leverage, location. Location, of course, with real estate, geography is really important.

One of the other things to keep in mind as well is

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Guillaume Schils:
real estate tends to be an appraisal-based asset class from a market perspective, and appraisals can be infrequent or at least lagged. Investors need to be mindful of valuation policy and of marks within these funds. I'd say the next big wave within evergreen funds was private credit.

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Guillaume Schils:
That really, was born out of the real estate popularity ten years ago. Now, we've seen private credit become incredibly front-minded for advisors over the last five years or so.

Structures you see here, non-traded BDCs, interval funds, tender offer funds. The strategies therein tend to be income-oriented, more shorter hold forms of private credit. Things like senior secured direct lending, multi-strategy credit funds and what you don't see, just like in real estate. What you don't see in private

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Guillaume Schils:
credit is distressed credit, special situations, loan to own, bankruptcy-oriented private credit investing that can be really drawn out or really complicated, and it doesn't necessarily fit in an evergreen package.

Considerations there, of course, as always, thinking about credit cycle risk, about liquidity, about the trend of interest rate

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Guillaume Schils:
movement, those are really important things to keep mind

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Guillaume Schils:
on within private credit. I'll finish maybe with two somewhat newer sub-asset classes in the evergreen world that have become more popular over the last two years or so.

Private equity. First off, the typical structures you see there are NAV-based evergreen

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Guillaume Schils:
private equity funds. There's a really wide range of strategies available in private equity evergreen. You have secondaries; you have diversified multi-strategy funds, core buyout and co-investment funds, even venture in growth equity now and so on and so forth. Really wide variety of strategies. Obviously, as my colleagues mentioned, the capital is deployed upfront, which is really nice. Instead of getting called down into these positions over time.

You need to be mindful of certain things there. These are typically less cash-flow-oriented strategies. There can be a little bit tighter liquidity parameters in these funds, maybe a smaller gate on a quarterly perspective or a longer, softer or hard lock when you initially commit to the fund.

Then last thing is infrastructure. Infrastructure, we've certainly seen a lot of product development and new launches over the last couple of years especially, under the real assets category. Infrastructure has become more front of mind for advisors and clients, given the

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Guillaume Schils:
data center and AI theme. Given the digitalization theme broadly out there in the world.

The strategies you see in infrastructure, again, similar to or excuse me, the structure types again are similar to the other asset classes. Interval funds, tender offer funds, NAV-based funds. The variety of strategies tends to again, be at the lower end of the risk spectrum, core, core plus maybe like value add, infrastructure investing, strategies often have a nice component of steady income to them. That's one of the great benefits; of course, of infrastructure is long-term inflation-linked cash-flowing contracts that are nice, steady benefit to clients in a nice portfolio complement.

A lot to cover there. Of course, we didn't hit on all of it. I guess in summary, you can really cover all the asset classes these days in these

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Guillaume Schils:
structures. As always, you have to keep in mind different considerations there and different challenges. Maybe on that comment there, I mentioned, Emily, a couple different considerations or thoughts that people should

keep in mind there. Maybe you can expand on that answer. What are some of the challenges and risks associated with evergreen investments? Valuation, operational complexities. Managing liquidity is a huge one. How should advisors and clients really think about those risks and considerations within evergreens?

Stephanie Richards: I'm just going to add one

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Guillaume Schils:
thing onto what Guillaume actually had just mentioned when he walked through the evolution of the evergreen space, how it started with real estate and has expanded across other asset classes. What we've seen, quite interestingly, when you look across the different asset classes, when you look specifically at credit, for example, and Guillaume mentioned the focus on senior secured credit, which a lot of the evergreen strategies are really focused more on the senior secured space where you're really clipping that coupon.

You might buy the evergreen strategy because it's targeting a certain yield. Maybe it's targeting, call it eight to 9% across cycles where you're receiving

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Emily Reagan
that as income. The benefit for the investor. Clearly, if you're in the evergreen vehicle, in a credit vehicle where it's paying off, eight or 9% is if it's

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Emily Reagan
invested 100% on day one, you know you're getting eight or 9% over

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Stephanie Richards
that full first year. If you invest $100, you're getting eight or $9 by the end of the year.

Versus if you were in a closed-end fund and you committed $100. If the manager only invested $10 of your $100 in year one, you only get the eight or 9% off that $10. It's a much smaller amount from an income perspective. What you've seen as a result

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Stephanie Richards
of that is you've seen a very big shift in terms of clients allocating into the evergreen space, particularly in senior credit, where you have that income. We've actually seen that as a market dynamic. We've really seen it across the broader wealth channel. Actually, you're starting to see it as well from institutional clients, which is quite interesting.

Similarly, in infrastructure, given infrastructure such a long-dated asset class, you can see investments or funds that might

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Stephanie Richards

be 12, 13, 14 years in the closed-end space. In the evergreen space, given the fact you have that potential for liquidity, you're also seeing a lot of people turn to

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Stephanie Richards
evergreen funds in the infrastructure space, given you then have that potential to maybe have infrastructure exposure for four or five or 6 years, which is much easier for individuals to think through

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Stephanie Richards
from a timing perspective. Emily, I'll pass it back to you to walk through some of the challenges and risks associated.

Emily Reagan: Thanks, Stephanie. Yeah. Guillaume, you had mentioned, how do people think about things like valuations, operational complexity, liquidity management? How do investors think about mitigating risk?

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Stephanie Richards
What I would say is just taking a big step back, what I've observed in the market through all these last few market cycles is there's risk perception and risk reality. For those that are less familiar with alternatives, the immediate reaction may be that they are riskier in value proposition than per se, a fixed income alternative or equities.

What we've observed, given all of the new innovation, is that some of these evergreen structures are, in fact, mitigating the risk to

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Stephanie Richards
the client by virtue of having, for example, a monthly dividend with a dividend policy or independent valuation appraisals. Which are under scrutiny given the increased need for transparency in a lot of evergreen funds, which are often regulated vehicles.

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Stephanie Richards

These sorts of things mitigate the risk for

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Emily Reagan
an investor when they're evaluating an opportunity, because when you take a step back and you think about what am I signing up for? "Am I on the hook and stuck here for a decade or more, like Stephanie was saying, or do I have the ability to dip my toe into this slowly and then pivot my exposure dynamically over time?"

Moreover, what's super interesting about evergreen that's happened

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Emily Reagan
in the evolution of making alts more accessible. We'll talk about this a bit later in the program, is that the investment minimums are significantly lower than what historically was required in a closed-end

context. What that means is when investors are thinking about financial planning for their own personal needs, the amount of capital they're seeking to receive sooner than later, short-term, long-term.

Also thinking about the ability to flex up and down, for example, in the form of add-ons or the potential for those redemptions. It gives folks an immediate way to rethink, "Okay. Take a step back. How am I allocating to private markets and how am I allocating to alternatives?" It puts a lot of the control back in the hands of the investor in some regard. Whereas, historically, you're along for the ride, if

00:57:10:06 - 00:00:00:18
Emily Reagan
you will, with the general partner when you make a commitment to an illiquid private equity fund, for example.

When we think about liquidity management and the industry has learned quite a lot about how important those guardrails are, you have to remember at the heart of the whole conversation, that there is a bit of a mismatch between illiquid assets and a semi-liquid format. What that means is that fund managers have the obligation to operationally manage their vehicles with incredible scrutiny on both assets and liabilities.

The liability management, the liquidity management, in our view, is as important as the asset management and the underlying investments that a general partner or sponsor are making. As investors think about mitigating the risk, they should closely evaluate, "How is that manager approaching liquidity management? What is the percentage of the total portfolio allocated to liquidity? How will that perhaps drag return, or preserve buffer in times of distress?"

These are the things that thankfully, investors don't have to worry about day to day. When making that upfront decision, it's a risk to think about because this liquidity is by no means guaranteed. That's something that we're constantly chatting with clients about just to make sure there's no misunderstandings.

All that being said, with the increased transparency in reporting, the independence of valuation processes and procedures that have really come into the spotlight, investors have a lot of tools at their fingertips to assess risk as we go. With that, just turning a bit, Stephanie, back to you. What types of investors are typically best suited for evergreen funds, and how do we think about that broader access point to private markets for those investors?

Stephanie Richards: Great. Happy to walk through that. Traditionally, private market opportunities have been available pretty much exclusively through closed-end or draw-down structures, which are structured to really match the underlying liquidity of the underlying investments to the fund. Clearly, as the market has evolved to better cater to the needs of a broader range of investors, evergreen structures are becoming increasingly prominent.

This allows investors to have significantly more choices than they've ever had in the past and how to access private markets, offering greater diversification and the potential for higher, longer-term returns. When you look at private markets in particular, what's interesting is if you actually look from an allocation perspective, you see a typical high net

worth investor really has maybe a low single digit allocation to private markets.

Now, this is compared to an ultra-high net worth investor that might be targeting, say, 20% plus into private markets. If you then look underneath that, within that alternatives allocation, how they're getting exposure to private markets. The mix is slightly different between the various sub-asset classes, whether that be private equity, private credit, hedge funds, real assets.

Generally, the clients with the lower net worth are actually preferring more credit oriented investments. Now, this makes sense. Shorter in duration, potential for income versus more of the ultra-high net worth clients, actually, from a mixed perspective, preferring more of the private equity or some of the strategies that have the potential for higher returns.

If you look at the implementation as the next going one layer deeper, essentially, you can actually see that for clients that have more of the just high net worth space. You see that actually, evergreen vehicles or vehicles with the potential for liquidity are actually significantly more common for these wealth clients than what you see in the ultra-high net worth space, where closed-end vehicles, historically, have been more common for that.

That makes sense that you'd see for clients who are starting with essentially a low or no allocation to private markets, as you're starting to scale in, you're starting with an evergreen vehicle. It's much easier. It has a simplified implementation, has the potential for liquidity, it has transparency. Some of the benefits that we walk through earlier on in this call. It really makes sense that you see more of these wealth clients are entering that space. That's really been driving a lot of the growth of the market space.

What you'll see is obviously on the other end of the spectrum, with ultra-high net worth clients that historically have done more of the closed-end funds. Actually, there is no right or wrong answer. It's really pending preference and investment goals and how you think through your broader portfolio. You can actually see them either stick with the traditional closed-end funds or use that as the core, and then really add in more evergreen vehicles as a satellite around that.

Actually on that point, maybe G you can add a little bit more from a portfolio construction perspective, how can evergreen funds be strategically integrated into a broader, more diversified investment portfolio to enhance diversification and achieve long term growth objectives?

Guillaume Schils: Yeah. Look, alternatives, of course, whether they're in evergreen or closed-end form, we think provide real benefits to investor portfolios. Of course, that's why we're having this session in the first place. Obviously, the implementation definitely differs for evergreen versus closed-end. Both of you have covered some of the differences already.

When you're looking more tightly at the investor benefits and achieving client long-term objectives, the benefits, of course, vary depending on which strategy or which asset class you're pursuing. To overly simplify

it, I'd say most of the benefits here boil down to two main buckets. There's return enhancement. Getting a premium over traditional exposures like equities, like bonds, like munis, like cash and so on.

The second main summary benefit is diversification. Providing a different exposure, a different return stream that has a different shape and a different sensitivity versus traditional exposures. Implementation style for evergreens obviously differs a little bit or a lot a bit from closed ends. Zooming out again, a lot of the core tenets of investing, and using alternatives remains.

First up, we think alternatives should be a structural piece of the portfolio. It's not a trade. It's not a small in and out of a portfolio. It should be a meaningful component of a diversified investment portfolio. Their main impact, and thus their main benefit comes from holding them over the long term.

On how to integrate, obviously, every advisor, every client has unique attributes. You have to think about these in different pieces. There's not necessarily a one-size-fits-all checklist approach to this, but you have to evaluate the portfolio, evaluate the big picture for the client, the tax profile, what they might need, what they might qualify for is definitely a limiting factor as these different structure types have different qualification standards. Are the goals enhanced income? Are the goals enhanced growth? Are they looking for a complement to just other exposures? Are they looking for a low-vol diversifier or so on and so forth?

Secondly, after that deep portfolio and client analysis is setting long-term targets. This is a really big piece of this. Ten, 15, 20 years ago, alts was really thought of as this like homogenous bucket. You had traditional and then you just had a slice of the pie that was alt, and it was everything else. We really think that's not really the best way to think about this.

Private equity is a complement to public equity. Private credit is a complement to public credit and so on and so forth. You set not only the big picture target of alternatives, but the sub-asset class targets within that. Then thirdly, of course, you start to implement and get to those targets.

To get to the actual achievement of these goals across the board. Obviously, income-oriented alts, they typically pay higher current distributions versus public fixed income sources. That obviously helps clients with income-oriented cash flow about boosting cash flow, whether it's for retirement, whether it's for spending, so on and so forth there.

Growth oriented alts. That would include private equity, venture and growth, total return real estate, maybe more total return or slightly higher risk multi-strategy credit. Those exposures can provide access to innovation. Obviously, companies have stayed private a whole lot longer for the last ten, 15 years now. If you're missing exposure in private companies, you're likely missing out on some of the innovation that's happening within startups, big or small. Those growth profiles capturing that revenue growth and that innovation can be a pretty meaningful benefit to clients trying to achieve longer-term growth roles. Income long-term growth, certainly.

Diversification oriented alts is a big bucket again. We think all of the above help provide diversification, but there are certain sub-themes that are maybe even best suited to provide diversification. You think about infrastructure. First off, a very steady asset class that tends to be less tied to the whims of the public market to the quarterly earnings cycle. Infrastructure is steady, long-term assets that underpin societal function. That's a really good diversifier for clients.

Low beta hedge funds, we haven't talked hedge funds that much, but those can provide really good diversification. Then secondaries, those can provide countercyclical or just resilient return profiles that are highly diversified. That's again just a really good benefit to clients that are investing for the long term and trying to think about their long-term goals.

We've covered a lot, I'd say, on structure, on considerations, on goal achievement, on implementation. Maybe we'll turn a little bit more forward-looking here, just talking about the current environment, especially from a product standpoint. Emily, these days, what emerging structures are appearing in the evergreen marketplace? What are the features and different considerations that people should contemplate as they look at these newer structure types?

Emily Reagan: Sure. I would take a moment to step back and talk about it in a bit of a context of the audience. There are various evergreen fund offerings that are available to qualified purchasers in the US only, accredited investors only. In Europe, there are various rules with respect to professional and retail investor participation.

What's been really interesting about the evolution of this industry is that all these new sorts of offering structures, if you will, like the vehicles through which someone can participate, continue to innovate, continue to evolve. What we're observing is that it's not simply the availability, for example, of an open-ended limited partnership in a legal form.

There are things like tender offer funds and interval funds, which have tickers or in the case of the open-ended limited partnerships; they're non-traded, non-listed but publicly registered. There's all sorts of new technology being utilized to make these products as widely available as we can to as many interested alternatives market participants as we can.

When we started investing in these sorts of evergreen launches, if you will, years ago, it was really in the form of two main food groups. You had the non-traded REITs, which had been around for quite some time, which were an evolution of previous versions, and the non-traded business development companies, or BDCs, which were the credit equivalents.

Since then, we're seeing a more frequent and what I'll call transparent option emerging in the form of these interval funds, where valuations are moving from monthly to sometimes daily. That is a new development that gives people really a spot value on the underlying investments in a very different way than what we're accustomed to from those predecessor structures.

In addition, and this is widely reported, there's a lot more flexibility now, particularly in the US, but also in markets like the UK for retirees. DC pension plans, and others to get access to private markets

in the form of their retirement plan strategies. We see this with the emergence of target date funds.

There are various wrappers, if you will, in place in markets in Europe. What these products enable us to do are to provide our clients access to these incredible opportunities across private credit, private equity, infrastructure and real estate in a way that's a bit more accessible to them.

In addition to that, what we're seeing is a really heavy focus on simplified tax reporting. Tax reporting is often what I'll call a hurdle for someone to get over when they think about allocating to alternatives. For US investors specifically, K-1s have often been onerous and a reason to "avoid" investing in alternative investment closed-end funds.

The good news is, with all of this focus on innovation, there are a lot more ways to invest with 1099s instead of K-1s or simplified K-1s instead of longer K-1s. I expect that this will continue to innovate. We're even seeing it in the context of model portfolios. Model portfolios that are using digital tools to give advisors access to a pool of opportunities in a multi-strategy arrangement.

If you think about stepping back, each individual line item in a client account within an alternatives bucket can sometimes be really overwhelming. We're seeing many managers develop model portfolios that prescribe options across a spectrum as to how much appreciation you're looking for, how much income, how much risk, what sorts of return. More and more, we're seeing the potential to calibrate for a diversified option. That's a bit of more of a one-stop shop decision.

We're really excited about all this innovation. It's been a completely dynamic period, especially in the last few years, where we're really seeing a pickup in all sorts of change. I expect that with additional developments in the industry, this is going to continue to accelerate. Maybe just turning back, Stephanie, to you, how do you think advisors evaluate and compare different managers when they're doing due diligence on products like these? What's the criteria that's most important to them? Is it track record, liquidity, the governance of that manager? How do you think about that when you assess with clients, who to choose to invest with?

Stephanie Richards: One other thing, just to add on the emerging structures and what we're seeing. Emily touched on the ELTIF in particular. Given that I'm based in Europe, clearly this is very much front and center in all of our dialogues on a daily basis with clients. The ELTIF 2.0 or the Evergreen ELTIF is very relevant for investors today, particularly as we talk about how evergreen vehicles are democratizing private markets.

The ELTIF, this is the European long-term investment fund, for those of you that are not familiar. What it does is it allows you to reach retail investors across continental Europe. Most evergreen funds today, not to get into the weeds are UCI part two, Luxembourg C-curves, which allow you to go to professional investors.

This ELTIF structure, which is really a wrapper, significantly expands the reach across asset classes. You can actually speak with more retail

investors in Germany, France, Spain, etc. These vehicles come across the same asset classes. Private equity, credit, real assets, etc.

You've seen several different private equity firms launch ELTIF 2.0 structures in the last several months. This is actually a trend that we anticipate is going to continue going forward, given more and more individuals want access to private markets. You're also seeing – the minimums are generally 10 or 25,000 for these evergreen vehicles. They can go even lower on the ELTIF 2.0 structures. We actually think this is a vehicle that is critical from a product development perspective in Europe in particular, just to continue to reach and expand the footprint, specifically around private markets. I just wanted to add that in there.

Guillaume Schils: I'll chime in as well, just on the interval side. Our interval fund side, I know Emily had mentioned these a couple minutes ago, but just to take a little bit of a closer peek at the innovation there, the new structures. Again, interval funds are not a new thing from the last year or two. They've been around for a long, long time. I would say the alts industry is really fully with two hands embracing interval fund structures these days.

The benefits there, most evergreen funds again, are monthly entry funds. There's accreditation to get into that meeting. Clients have to qualify. It's a sub-doc-driven process. There can be a couple of hoops to jump through from an implementation perspective. Interval funds are really one step closer to mutual fund land or ETF land.

The benefits there, it's really ease of implementation. The strategies therein are all the same sorts of strategies that you see in open-ended products. Implementation is really the big difference and thus the big benefit to clients. I'd say generally, the interval fund world, daily entry funds instead of monthly, there's no accreditation typically in these structures. You don't have to be in the US, an accredited investor or qualified client or a qualified purchaser. Very low minimums, which you also see, to be fair, in regular way, evergreens.

From a tax reporting, often 1099, of course. Then something a little bit in the nitty-gritty but the plumbing and pipes of interval funds. In the US at least, a lot of those funds live and are implemented in the plumbing and the pipes of the mutual fund world. A lot of firms that aren't necessarily set up yet for closed-end or even evergreen implementation, they've been doing mutual fund business, of course, for decades. Interval funds can live and be implemented through that. No sub-doc, daily entry, easier tax reporting, really low minimums and no accreditation are really some of the key things. Just wanted to chime in there on the interval fund side for the US.

Emily Reagan: Yeah. Thanks both. It's super helpful. With all of this perceived complexity for the manager, it feels like we're solving for ease of use with clients and investors. The managers really have an onus to perform. They need to know what the criteria is for success. Step back to the original question a few moments ago. How do you think about evaluating managers when you compare and contrast? Is it about their ability to risk manage? Is it about their governance processes or alignment of interests? What sorts of criteria do you evaluate when you think about diligence?

Stephanie Richards: Yes. Definitely. Diligence is incredibly important not only for private markets but for any investment that's made. Clearly, you want to make sure that you're doing your diligence and reviewing everything. Specifically, in private markets, some of the critical areas that we would really encourage you to focus on would be the alignment of interest and deal selection.

You really want to make sure there's an alignment between the GP and the investor. Is there balance sheet capital investing alongside? Is there employee capital investing alongside? Are the deals going alongside closed-end funds that are around, how is that deal selection ultimately being done?

If you're looking from some of these underlying deals in particular, it was mentioned how checking if they go into a closed end fund. The reason being is you don't want the leftover deals that no one really wants, where the GP is being forced to deploy capital into an investment opportunity just because there is an inflow, or they have cash that is sitting around that must be put to work.

Some of the things you can look through is what's the process, what's the allocation, what is the deal waterfall? Then also, what is a manager? Does the manager have access to a warehouse? If they do a deal but don't have capital to deploy, can they have the deal sit somewhere and then move it over at cost? For an example, once there is cash or inflows that have come into the strategy, that's also quite helpful for investors.

There should be a formalized investment committee that's doing the picking and choosing of which deals ultimately going in, and you want to make sure there's a very robust decision making process, reviewing not only from an investment side, why it's a good investment, but also, doing some of the operational due diligence behind the scenes as well to make sure it's a high quality company with legit compliance procedures and process. That's really important from a deal perspective.

The other thing that's really important from a diligence perspective is liquidity. What we haven't really spoken about is that fact that these evergreen vehicles generally have a liquidity sleeve. This is a sleeve that's generally something from 10 to 20% of the overall portfolio. This invest generally in cash, cash equivalents, money market funds, broadly syndicated loans. These are liquid securities that can provide liquidity when needed.

It's very important to understand, what's in this mix, how safe is it? Who is the team that's balancing this? How do they think about it from an inflow and outflow perspective, how are they lining alongside the broader investment team? That's very important because we talk about these vehicles as evergreen.

Clearly, the worst-case scenario is everyone wants to redeem out at the same time. Then you essentially end up in a vehicle that is not liquid necessarily. Then the last key thing to really focus on or not the last, but one of the other key important areas to focus on is performance.

One of the reasons we all invest in private markets is for the potential of outperformance over what you would get in the public markets. It's very important to review the historical performance of a team. Did they invest across market cycles? What went well, what went wrong, was their

concentration in one deal, was there something that went horribly wrong? How did they work through that? How does this track record compare versus peers? How does it compare against the public markets during that time frame?

It's very important to understand the historical track record, but then also understand what types of returns are they looking to target going forward, so you understand what the return profile is of the underlying vehicle. Those are some of the things to really think through when you're reviewing some of these evergreen strategies when we think through this from a broader portfolio construction perspective.

Maybe I guess, Emily, adding on to that, we talked about performance. How do evergreen funds perform across different market cycles, and what historical or modeled performance patterns can help advisors understand their behavior in periods of volatility?

Emily Reagan: Yeah. Thanks, Stephanie. You actually touched on some of the related points here, because the reality is a lot of these evergreen funds in the market are reasonably nascent. If you think about, have they lived through market cycles, have these specific vehicles gone through a long enough period of time to evaluate the performance fully? That's why it's so important, like you said, when you think about managers, you need to look back at their historical track record predating that vehicle and thinking more broadly about their experience in the asset class as a litmus test for things to come.

What I would say is the main merit, when you think about performance of evergreen structures, they're more often than not, non-traded, non-listed. The point of being non-traded or non-listed is you're not supposed to be subject to the whims of market volatility. In theory, the valuation policies and procedures of these types of products are meant to insulate you from the daily market macro risk that you may otherwise experience elsewhere in your portfolio.

By virtue of that, what we've observed in looking at performance, at least for some of the more mature non-traded REITs through the last market cycle or the BDCs, the credit vehicles, is we've seen a reasonable amount of smoothing over time and less rapid volatility month-to-month and quarter-to-quarter.

Now, in particular, if you take real estate as a model for one of the asset classes, that has in fact been through a market correction in the last few years, what you've seen is the utmost importance of the transparency and reporting of that performance to inform investor decisions. The good news with these sorts of products is performance is out there for everyone's observation; most of these vehicles file publicly and/or share their performance rosters alongside peers.

You can get a lot of data on these sorts of structures, even more so than the historical drawdown vehicles, where data was a little bit harder to come by. Like Guillaume said, with the emergence of interval funds that feel a whole lot more like a mutual fund experience, that's even more true. What will be interesting to observe as an industry is how do the daily valuations of those sorts of wrappers come to pass over time? How do we think about how that translates, appreciating the fact that illiquid assets, such as infrastructure and real estate, may not, in reality fluctuate that often?

What we've seen, Stephanie, in the context of just thinking through performance is you have to plan for the potential to be in these investments through any possible market environment. That's why protecting yourself when you think about investing is making sure you're sizing your allocation in a way that could withstand the stress, and to assume that you can't get your capital back all at once in the event of a big market swing.

Overall, what we've seen is steady yield coming from credit vehicles in the last cycle, which have been quite attractive on a risk-adjusted basis. Like you said, Stephanie, one of the reasons people invest in private markets is they want a premium on that illiquidity. You've seen really exciting and emerging growth potential in some of the other more equity-oriented strategies.

We're going to stay tuned and observe, as a lot of these vehicles become more mature. Guillaume, to that end, as these structures evolve, how does technology, data and automation, in your view; really shape the operations and that transparency I'm talking about down the road?

Guillaume Schils: Yeah. Look, backing up, I would say the alternatives industry we can agree historically has not necessarily been known for its robustness and availability of data and for its embrace of technology. It's a little ironic, of course, because venture and growth equity were investing in startups there and some of the most innovative, groundbreaking companies from the last 40, 50 years now.

The industry itself has not necessarily had a technological revolution, really until the last couple of years. It really feels that, that has started to change over the last couple of years. Frankly, evergreens and this broader democratization trend have been a big driving motor in increasing automation, in improving operations and improving transparency for clients.

You look at a lot of evergreen funds; they price on a monthly or a daily basis versus the quarterly mark of the closed-end fund worlds. Registered funds and evergreens. They have to disclose more info to regulators and/or the public. We have a lot more data these days. We have more marks, thus more prices. We have more information on holdings. We have more insight into changes in the boards of these funds, other disclosures and so on and so forth.

There's really been a data revolution in terms of the components and the changes within these funds. What that has really meant is, frankly, alternatives have been more addressable from a modeling and a forecasting perspective. There are more and more tools out there to help give shape to a long-term portfolio, to give return projections and income projections and so on.

I think at least about alt's projections when I started in the industry 15 or 20 years ago, it was a black box. That slice of the portfolio, you couldn't really run long-term projections on, or you used just a public market proxy for it. There's been a big change from data and, thus a modeling perspective.

From an operational perspective, there are increasingly, of course, digital investor portfolios, digital marketplaces, more dynamic

reporting, more frequency of disclosures, monthly fact cards, quicker tax reporting, more offerings that have 1099 or simplified K-1s here in the US. It's easier tax reporting and a tax experience for advisors and clients, which is a huge benefit.

Look, all of this boils down to just a more constant and steady stream of information that allows advisors and clients to be more educated on what they're doing and how things are going, and thus make more informed decisions on how to adjust or how to continue to implement.

Maybe the last frontier here, given just we're talking about automation, about data, about operations, about technology and all those things is the world of models. Models has not necessarily, not at all really been something – it's been an oxymoron to talk about alts and models. Models have obviously come for publics long ago, but alts has been a little bit the final frontier.

That has definitely started to change over the last year or two, given the growth of evergreen product types, the funds that have this periodic entry point and periodic liquidity point; it allows you to think about these more on a model basis. For advisors, they're starting to get more one-click or one-stop solutions where you can get baskets of funds implemented. You can build out this sleeve quite quickly for client portfolios, which is a really nice thing.

Still a lot to come from a technology and an operational improvement standpoint. It's finally feels like the tech revolution; the data revolution has come to alternatives. It's definitely shown a lot of benefits for advisor practice, for client experience and all of the above.

Emily Reagan: Yeah. Guillaume, that's super helpful. Needless to say, all that technology helps us educate folks even through forums like these. There's so much tooling out there to keep learning. Stephanie, just turning back to you, if we think about what's exciting, going ahead, what's new and different, what sorts of attention are different strategies getting?

Secondaries is definitely something in particular that keeps popping up. Can you just briefly discuss that market, how you think about GPs and LPs, all the different types of transaction in a secondaries investment? What does that even mean and how does it really provide diversification?

Stephanie Richards: Definitely. Secondaries are really an asset class that we actually really like specifically within private markets. If you think about the growth of just broader private markets in general, the assets under management has consistently grown year over year, and today stands at something around $14 trillion, essentially.

What transacts in the secondary market is really a derivative of the private markets assets under management and what's turning over. In terms of the volumes that are transacting in the secondary market, there was 160 billion that transacted in 2024. Actually, last year, the first half of the year was just over 100 billion. We don't have the final year-end number, but it's likely something around 200 billion making it a record year.

Now, what is a secondary transaction? Very basic example is, somebody is an investor in one private equity fund, they need liquidity for a variety of reasons they could have. They actually need cash for something and they're short on money, you need to sell. They could change their asset allocation, and maybe it's a real estate investment and you reduce your real estate exposure. You would sell your portfolio. You could have a new CIO come in who says he doesn't want any of the prior CIO's investments. A variety of reasons that drives the volumes in this market in particular.

What you've seen is you've seen a lot of the traditional transactions. That would be where; take a large university has an investment in a large, big blue chip private equity firm. Maybe they sell one of their positions or a handful of their positions. That's a traditional transaction.

Then you also have non-traditional transactions where we've seen a rise of these, as you've seen a variety of different needs for liquidity in the last several years. You've really seen, for example, a lot more continuation vehicles where you essentially have a private equity manager who might have one asset or maybe a few assets that are good asset, but the timing's not right to exit today. Really, they're looking to roll over those assets into a new vehicle.

That's really, where you've seen the growth of the continuation or the non-traditional deals that are transacting in the market today. We actually think there's a lot of opportunity there, just given the average hold period in a buyout fund that maybe historically was four or five years. That's really extended in the last couple of years to be six, seven, eight years, where this has started to drive some of that demand for continuation vehicles, where these assets are.

A variety of different types of transactions in the secondary market. We think this market's going to continue to grow pretty significantly over the coming years. We would continue, suggest obviously, clients include this as part of their allocation. Maybe Emily, I'll turn it back to you to wrap up and provide some concluding remarks.

Emily Reagan: Sure. Thanks. Again, thank you so much for spending the last nearly hour with us. It's not often that people focus on anything these days for an hour, and we think this topic is so important. There's so much learning, there's so much change and dynamism in the market, and we're really excited to be at the forefront of all of that growth here at Goldman Sachs.

As you know, this program is available on GS Investment University. That's the perfect example of the educational tooling we talked about earlier that we really want to make available widely to everyone who's really interested in learning more about private markets, more about alternatives.

Just to recap what we said, you think about risk mitigation and decision-making, the opportunity set ahead and how alternatives can really diversify portfolios. We'll keep learning together and the importance of manager selection along the way. Thanks again. Thanks, Stephanie. Thanks, Guillaume. Thanks all of you for joining. We've really had a great time chatting and look forward to discussing further next time. Thanks a lot.

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