Accessing Private Equity Through Perpetual Funds

Key Takeaways

Not all perpetual PE strategies are created equal. Different approaches involve distinct trade-offs around fees, diversification, control, and deployment discipline, making strategy selection an important first step.

Manager selection matters significantly. Crucial to a positive investor experience is partnering with a manager that offers a proven track record, long-term strategic alignment, proprietary sourcing, differentiated structuring expertise, and a robust value creation toolkit.

Portfolio management is critical. Long-term outcomes depend on disciplined position sizing, the right mix of portfolio assets, intentional liquidity management, robust valuation frameworks, and dedicated, ongoing oversight.

Historically, access to private equity was defined by the closed-end drawdown fund, where barriers and complexities often limited participation to large institutional investors. As discussed in Rethinking the 60%, individuals allocate less than 3% of their portfolios to private equity, a fraction of what pensions, endowments, and family offices deploy.(1) That gap reflects structural design, not lack of demand.

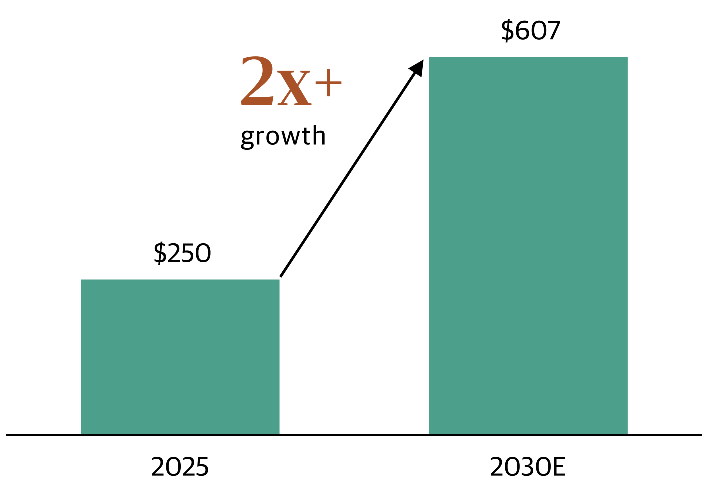
Perpetual funds have emerged as a solution to this access gap, a structural evolution intended to make long-term private equity ownership more widely accessible, offering immediate deployment into an existing diversified portfolio with the potential for quarterly liquidity.(2)

Importantly, perpetual private equity is not intended to eliminate the fact that this asset class is less liquid than publics, nor to replace traditional drawdown funds, which remain a core part of the ecosystem. Rather, it addresses certain operational complexity in drawdown structures which historically required $5 million–$10 million in commitments directly into individual closed-end funds and years of coordinated investing across vintages and strategies.(3)

The perpetual structure preserves the core investment disciplines of private equity while solving for unpredictable capital calls, intermittent distributions, blind pool re-up decisions, and multi-vintage administration that can make private equity difficult to maintain as a strategic allocation. The momentum behind this shift is significant: Perpetual private equity AUM is currently $250 billion and is projected to grow by ~20% per year over the next five years.(4)

Expected Growth of PE Perpetual AUM(4)

($ in billions)



(1) US Family Offices: UBS Global Family Office Report 2025. US Endowments: Preqin, as of June 30, 2025. US Pensions: American Investment Council. Individual Investors: Cerulli Associates, "U.S. Wealth Management and Alternative Product Trends," 2024. (2) Diversification does not ensure a profit or protect against loss. (3) Based on historic industry drawdown requirements, including Blackstone drawdown funds. (4) PitchBook: "2030 Private Market Horizons." As of May 1, 2026. Includes both global Institutional evergreen and wealth-focused evergreen funds.

Reimagining Private Equity

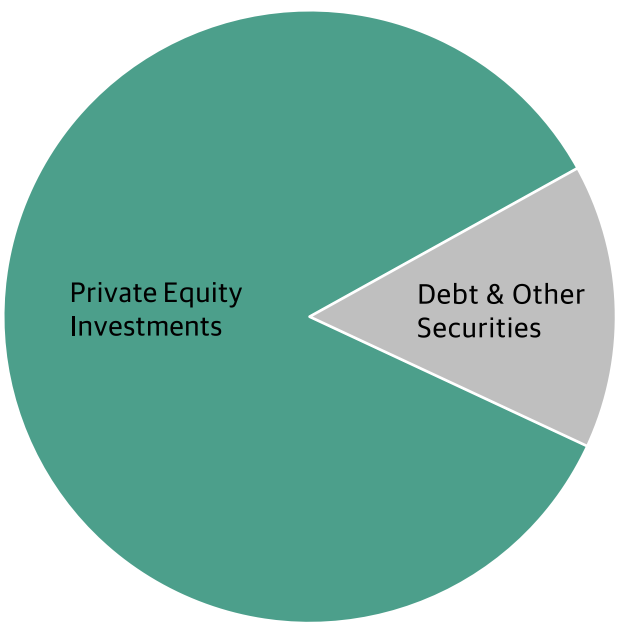
Private equity is intentionally held for the long term and is less liquid, with the goal of generating returns superior to public markets. Perpetual funds do not change that; they work within the structure in a way that is more accessible and attractive to investors, replacing traditional drawdown complexity with a continuously invested portfolio designed to compound over time.

Perpetual private equity funds must balance sustained investment in illiquid assets with the responsibility of offering periodic liquidity. In order to do this, perpetual funds maintain an allocation to high-quality liquid investments and have access to credit facilities to serve as a liquidity buffer.

The size of that buffer is a critical design choice that varies by manager, strategy mix, and redemption profile. We believe that evaluating how thoughtfully this balance is set and how dynamically it is managed over time is central to assessing the resilience of a perpetual structure.

Governance mechanisms specifically designed for long-term private equity ownership, such as lockups, notice periods, early withdrawal fees and redemption limits are features, not bugs, of the perpetual structure. Prudently sized redemption limits in particular are a key investor benefit. These "caps" provide the potential for periodic liquidity without forcing the sale of private assets at inopportune times, preserving performance for remaining investors.

Illustrative Example: Perpetual Fund Portfolio Composition



- **Structured to align with the asset class**
- **Protective features built for long-term investors**

Note: The above chart is illustrative in nature and shown for educational purposes only.

Not All Strategies Are the Same

The private equity landscape has evolved significantly, offering investors an expanding range of strategies and exposures. Today, three distinct approaches define the market, each with different implications for value creation, transparency, flexibility, and risk. Understanding these distinctions is essential to evaluating how a perpetual vehicle may behave across market environments.

1. **Single-manager, multi-strategy vehicles** combine centralized decision making with platform-level diversification.[2] One investment team, one valuation framework, and one fee structure provide a repeatable investment process with full control over sourcing and portfolio management. Capital is dynamically deployed across a broader opportunity set spanning strategies, sectors, geographies, themes, and capital structures. This breadth creates a wide funnel advantage. Strategy diversification can expand the opportunity set and improve deployment resilience across cycles, allowing capital to be allocated based on relative value rather than mandate constraints.

2. **Single-manager, single-strategy vehicles** provide one fee layer, full transparency, and unified decision making across the investment lifecycle. Exposure, however, is concentrated in a single strategy or segment of the private equity universe. Over shorter periods and on a smaller asset base, this focus can be a feature. Over longer horizons and larger asset bases, it introduces additional considerations around deployment pacing, cyclicality, vintage risk and investor behavior. If a given strategy falls out of favor leading to redemption pressures, a more concentrated mandate risks not being able to deploy during a potentially attractive dislocation. In overly enthusiastic periods leading to outsized inflows, managers may risk over-deploying at elevated valuations. Both scenarios can lead to long-term underperformance.

3. **Multi-manager vehicles** allocate capital across third-party managers through fund commitments, secondary market purchases, and co-investments. These structures can provide broad diversification across managers, strategies, vintages, sectors, and potentially thousands of underlying portfolio companies. The allocation decisions sit with one team, but third parties drive deal flow and determine how to manage their deals across the investment lifecycle, including value creation and less control on exits. The result is a second layer of fees at the expense of net performance to the end investor, inconsistent valuation methodologies and limited visibility into underlying portfolio companies. This double layer of fees has the potential to reduce returns over single-manager strategies and lack of control over deal origination can lead to inconsistent deployment.

1

Single-manager: multi-strategy

- One fee layer
- Full value creation ability
- High deployment flexibility

2

Single-manager: single-strategy

- One fee layer
- Full value creation ability
- Low deployment flexibility

3

Multi-manager

- Multiple fee layers
- Limited value creation ability
- Medium deployment flexibility

Portfolio Management: The Engine Under the Hood

Selecting the appropriate structure and strategy helps establish the foundation for success. However, we believe outcomes ultimately depend on how the portfolio is managed day-to-day across market environments. For an open-ended vehicle that accepts regular subscriptions and seeks to provide periodic liquidity, this requires more than investment sourcing. It requires a clear operating model built to endure.

Dedicated Ongoing Oversight

- Perpetual private equity demands continuous oversight. Effective managers dedicate teams specifically to portfolio management and ongoing fund construction
- Governance frameworks are critical to ensuring consistent and equitable treatment of investors entering and exiting the fund over time

Robust Valuation Framework

- Perpetual vehicles require frequent valuations (typically monthly), generally with third-party oversight
- In single-manager structures, valuations are typically integrated with drawdown funds
- Timely, accurate valuations allow investors to transact at net asset value and provide managers transparency to manage portfolio risks

Intentional Liquidity Management

- Liquidity management requires balancing subscriptions, redemptions, new investments, and planned realizations. NAV-based credit facilities can add flexibility when used at scale
- The key consideration is which liquid assets are held and whether the allocation is appropriate at any given time
- Stress testing redemption scenarios is critical to avoiding forced sales of private assets

Portfolio Control and Asset Mixing

- Allowing perpetual vehicles to own and control certain private assets independently, rather than alongside a drawdown fund, can enhance risk management through improved liquidity control and portfolio construction
- Directly investing in companies requires clear policies to mitigate adverse selection risk

Disciplined Position Sizing and Diversification

- Over-concentration can skew outcomes and increase risk. A broad sourcing mandate enables disciplined sizing and selectivity across strategies and market conditions
- Every investment must be evaluated not only on its standalone merits, but also on its contribution to portfolio balance and liquidity resilience

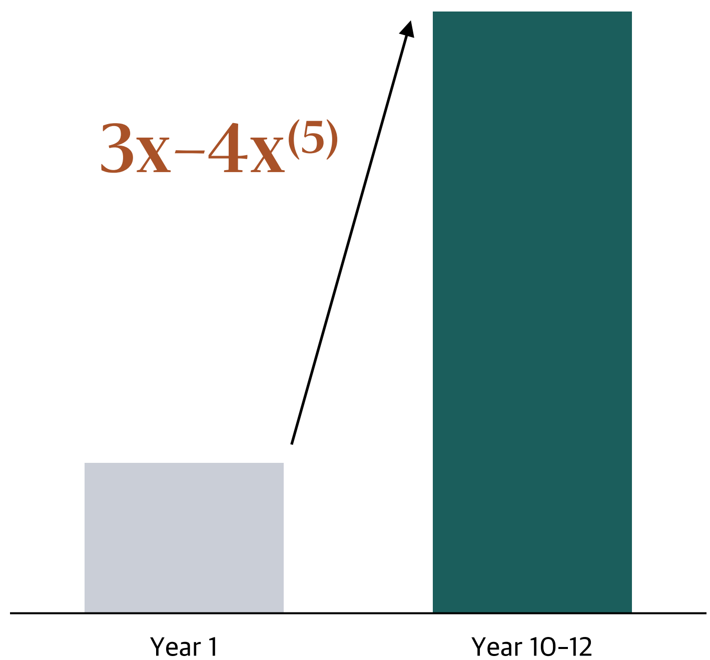
Features of the Perpetual Structure

When these disciplines are applied effectively, the perpetual structure capably addresses many of the operational challenges that have historically complicated private equity allocations for certain segments of investors.

In a perpetual structure, investors are immediately invested into an existing, diversified portfolio from day one. Capital remains continuously invested as realizations occur and are recycled, allowing compounding to work with fewer interruptions. This steady-state deployment can allow private equity to compound more efficiently. For example, a $100,000 investment compounding at 12%–15% annually could grow to approximately $300,000–$400,000 over a ten-to-twelve-year period.(5)

Just as importantly, the perpetual structure simplifies the ongoing maintenance of a private equity allocation. Rather than coordinating capital calls, distributions, and re-up decisions across multiple funds and vintages, exposure can be maintained through a single vehicle, reducing operational complexity and potentially improving allocation durability over time, subject to liquidity limits. These features do not change what private equity is. They change how investors experience it — and they rely fundamentally on the quality of the structure, strategy, governance, and teams implementing them.

Illustrative Example: The Power of Long-Term Compounding in Perpetual Private Equity Funds



We believe the durability of a perpetual private equity vehicle ultimately rests on three interrelated questions: Can capital be deployed prudently across market environments? Can the portfolio be actively managed with full visibility and control? And can liquidity obligations be met, particularly during periods of stress, without compromising the underlying assets? The answers depend on platform breadth, portfolio management infrastructure, governance discipline, and the degree of control embedded in the portfolio itself.

Thoughtful liquidity design, dedicated operating teams, and a balanced mix of assets allow the structure to function as intended. Approximately 86% of all companies with over $250 million in revenue are private, underscoring the strategic case for private equity exposure.(6) The perpetual structure does not alter the nature of the asset class; it reimagines the access model.

Used appropriately, perpetual structures can offer a durable way to sustain private equity exposure over time — grounded in institutional principles and supported by disciplined implementation.

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Viral Patel

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(5) Cambridge Associates' Private Equity Index (Q1 2005–Q1 2025). Private equity returns compound at 13% and reflect a 20-year average performance calculated on a net basis during a fixed period and do not reflect the experience or return to any Blackstone client, fund, or portfolio. Fees and expenses assumed are a 1.25% management fee and a 12.5% performance fee. Time period chosen as an illustrative example of an investor's long-term holding period for a private equity fund. Past performance does not predict future returns. Actual returns achieved by any private equity fund or product may be materially lower. (6) Capital IQ, June 2024. Represents the share of companies based on the total number of public and private companies in North America, Europe, and Asia that have reported 2024, 2023, or 2022 fiscal year revenues greater than $250 million per Capital IQ's company database

Considerations Before Allocating

Private market investing means active ownership of less liquid assets, as value creation takes time. Liquidity needs at the total portfolio level are one important consideration before allocating to private equity. In addition, manager selection may be of particular importance given the wider dispersion of returns compared to public markets. We believe key manager attributes may include scale, staying power, and an established track record.

As illustrated, different perpetual fund structures typically feature varying portfolio requirements and restrictions. While private partnerships can offer diversification and potential for enhanced returns, investors should carefully weigh key considerations. Ultimately, financial advisors should consider an individual investor's risk profile, portfolio objectives, and other factors before investing in private equity altogether.

Important Disclosures