April 2026

Liquidity in Evergreen Funds

Context

Evergreen funds democratize access to private assets: vehicles with periodic subscriptions and redemptions, subject to **liquidity windows on specific dates and amounts.**

Their semi-liquid nature introduces a risk that is frequently underestimated: **liquidity is the main** operational risk: it determines the real ability to exit when needed. Understanding how liquidity works is just as important as analyzing returns.

Key Takeaways

- **Interval funds regulated by the SEC:** mandatory periodic liquidity windows, with annual repurchases of 5%–25% of capital (5% quarterly windows are the most common), unlike other evergreen structures where liquidity is at the manager's discretion.
- If redemptions exceed the offered amount, **pro-rata allocation applies**. The fund may increase the repurchase by up to an additional 2% without board approval.
- **Liquidity management is as critical as the investment process.** No single standard: it varies significantly across funds.
- **Private debt** naturally aligns with semi-liquid structures: its stable cash flows (interest, amortizations, prepayments) allow redemptions to be met without forced sales. It is the key driver of interval funds and evergreen structures in general, compared to strategies that rely on asset sales, which are more vulnerable in stress scenarios.

About This Report

Based on PitchBook "Sink or Swim: Interval Funds Liquidity" (January 2026), this report analyzes the liquidity mechanics of *interval funds* and their implications for investment decision-making.

The Repurchase Process: How It Works in Practice

The liquidity windows of Interval Funds follow a regulated process with fixed deadlines. Understanding them is key to knowing when and how to submit a redemption request.

Investor notification

21 to 42 days before the submission deadline

The investor is informed of the repurchase amount (5%–25%). The fund must back this amount with liquid assets through the valuation date.

Submission deadline

Day 0 — deadline strictly observed.

Final deadline to submit, modify, or withdraw the redemption request. The fund values NAV daily during the 5 business days prior to closing.

Final NAV determination

Up to 14 days after the submission deadline

The investor learns the execution NAV. If requests exceed the available amount, pro-rata allocation is applied.

Payment to investor

Up to 7 days after the valuation date

The investor receives payment at the determined NAV, less up to a 2% repurchase fee if applicable. Total timeline: between 22 and 63 days from notification.

Regulatory timelines: Investment Company Act of 1940 (Rule 23c-3). Prepared by HMC Capital based on PitchBook "Sink or Swim: Interval Funds Liquidity" (January 2026).

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Liquidity Tools: How Are Redemptions Paid?

Four primary sources, each with different implications:

- **Cash and Equivalents:** The portion held in cash or money market instruments (short-term sovereign bonds). **The safest, but the one that most pressures returns.**
- **Liquid Assets:** The portion of the portfolio in liquid assets (listed instruments, tradeable bonds) to meet redemptions without liquidating private assets. The larger it is, the greater the capacity to respond, but the lower the private exposure and the greater the potential return dilution.
- **Revolving Credit Facilities:** Pre-approved loans used tactically to cover short-term needs. They involve financing costs and refinancing risk. Key to evaluate terms, lender diversification, and their role in the liquidity strategy.
- **Delayed Draw Term Loan (DDTL):** Committed term loan with delayed funding, allowing capital to be drawn over time. Provides additional liquidity planning flexibility, but once drawn it behaves as term debt and cannot be reborrowed.
- **Portfolio Cashflow:** Cash flows generated by investments without selling assets. In private debt (investor dividend reinvestment, loan maturities, prepayments): stable and predictable. In private equity, they depend on asset sales: more discretionary and cycle-sensitive. They allow redemptions to be met more efficiently.

The Regulatory Framework That Protects the Investor

Unlike other evergreen structures, interval funds operate under a **more demanding regulatory framework.**

The SEC requires periodic windows and **robust liquidity mechanisms:** cash, short-term instruments, credit lines, and portfolio cash flows sufficient to cover the offered amount at each window.

The repurchase policy can only be modified with a majority of shareholders: a structurally relevant protection for the investor.

Process protection, not outcome protection: **if demand exceeds availability, pro-rata applies.** Manager quality remains key in stress scenarios.

The Interval Fund Universe: Solid Aggregate Growth

This type of vehicle has shown significant growth: according to Interval Funds Tracker (intervalfundtracker.com, March 2026), total assets stand at approximately USD 128.3 bn, nearly doubling over the past three years. Since September 2020, the system has absorbed more than USD 53 bn bn in redemptions (PitchBook/Morningstar, september 2025), suggesting that, in aggregate terms, liquidity mechanisms have functioned effectively.

What This Means for the Investor

Under normal market conditions, interval funds have demonstrated the ability to meet redemptions, supported by their regulatory structure.

However, this behavior is an average: there are meaningful differences across funds, and some have faced stress episodes. Therefore, the analysis should focus on each fund individually, rather than the category as a whole.

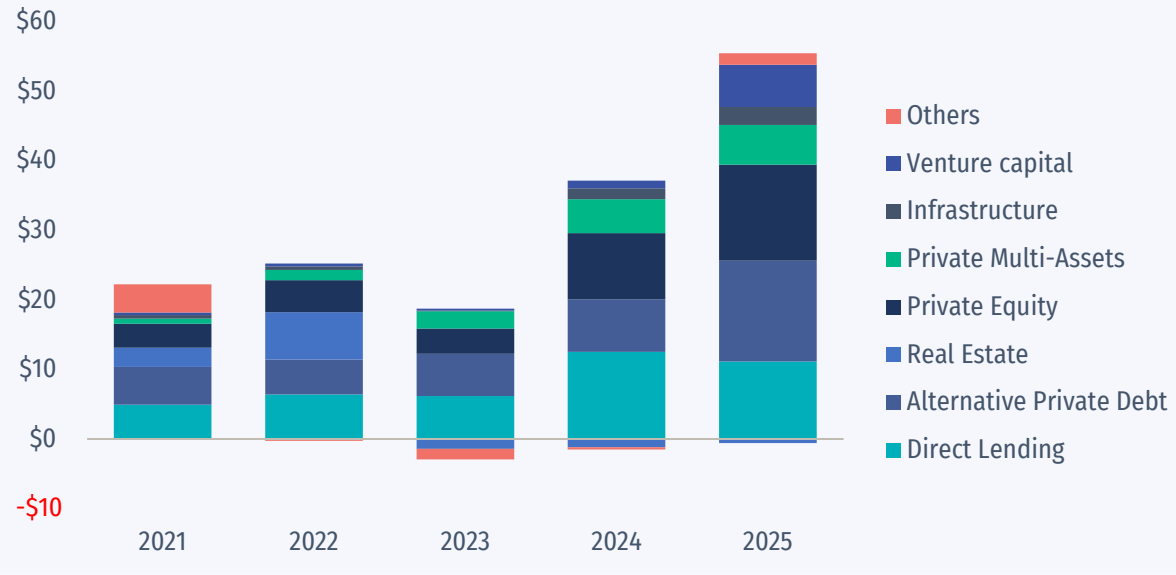
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The Underlying Strategy Matters

The data shows marked differences by asset type:

Strategy	Liquidity Situation
Private Debt	Positive net flows. Predictable organic liquidity (coupons, amortizations, prepayments). **Greater resilience in stress episodes (2022).**
Private Equity	Flows in recent recovery, driven by new launches. Liquidity depends primarily on exit events (exits, which are more volatile and market-cycle sensitive.
Real Estate	Negative net flows since 2022. **High interest rate sensitivity**. Elevated redemptions relative to asset size: persistent liquidity pressure.
Infrastructure	Some redemption/asset imbalance, though **less pronounced than real estate.**

Monthly Net Flows of Interval Funds and Tender Offer Funds in the U.S., by Strategy (USD Bn)



Prepared by HMC Capital based on PitchBook's Q1 2026 US Evergreen Fund Landscape report

Conclusions

- **Liquidity is not binary—it is a spectrum.** Interval funds offer limited periodic windows: investing in them requires understanding and accepting that friction from the outset.
- **The underlying strategy defines liquidity quality.** Private debt: more resilient due to recurring cash flows. Real estate and private equity: more vulnerable to the cycle.
- **Liquidity management is as critical as the investment strategy.** A dedicated team, structured credit lines, and a liquidity buffer are non-negotiable pillars. It varies significantly across funds.
- **Distributions can be misleading.** Attractive distributions may be disguised return of capital. If NAV falls simultaneously, there is no real value creation.
- **Liquidity due diligence is indispensable.** Requesting the repurchase history, liquid exposure, and financing structure is not exceptional: it is the minimum standard.
- **Regulation defines the framework, not the outcome.** Under normal conditions, interval funds have demonstrated the ability to meet redemptions. But the analysis must focus on each fund, not the category.

ANNEX — Case Studies

1. Case Study: Bluerock — When Liquidity Comes Under Pressure

The ***Bluerock Total Income + Real Estate Fund*** interval fund unsustainable when liquidity is not managed properly.*interval fund*

Context

Bluerock operated as an *interval fund* since 2012, becoming one of the largest in its category. In December 2025, it was forced to abandon its *interval fund* and convert to a listed *closed-end fund* closed-end fund

Key Factors

- **Adverse macro environment:** Rising rates since 2022 generated negative returns for 3 years.
- **High concentration:** Top 10 positions = **61% of the portfolio.**
- **Unsustainable dividend distributions:** Since 2023, **~90% of distributions funded by return of capital:** a sign of deterioration.
- **Growing use of debt under demanding conditions:** To cover redemptions, it expanded its credit line at elevated rates: evident liquidity stress.
- **Effective liquidity constraints:** Redemptions consistently exceeded the **5% quarterly offered amount (2023–2025).**

(SEC EDGAR / PitchBook 2026)

Conclusion

Regulation defines the framework, but does not ensure liquidity: it depends on **disciplined portfolio management, distributions, and leverage.**

2. Cliffwater Case Study: Successful Liquidity Management

The report contrasts the Bluerock case with the Bluerock with the ***Cliffwater Corporate Lending Fund***, the largest *interval fund* globally, with more than USD 30 Bn in assets under management.

Key Elements of Its Liquidity Management

- **Diversification:** +4,100 loans. Largest position: **<1% of NAV**; top 10: <6%; top 20: <11%; top 25 <12%.
- **Conservative credit profile:** LTV 41%, leverage <0.3x. S&P "A" rating (unique in category): broadens financing and reduces costs.
- **High structural liquidity:** Liquidity >10% of NAV at each quarterly window: absorbs redemptions without straining the portfolio.
- **Active liability management (liability management):** 5 full-time professionals dedicated exclusively to liquidity and financing.
- **Flexible financing access:** Revolving lines (more flexible than term loans). Diversified lender pool with long-term relationships.
- **Organic liquidity generation model:** Recurring cash flows (interest, amortizations, prepayments): redemptions without relying on asset sales.

(Cliffwater / PitchBook 2026)

Conclusion

Liquidity results from: **diversification, credit discipline, financing access, and consistent cash flows.**

This document synthesizes and interprets findings from PitchBook "Sink or Swim: Interval Funds Liquidity" (Juan Mier, CFA, January 2026).Bluerock data: fund annual reports via SEC EDGAR, as analyzed in PitchBook (2026).Cliffwater data: Nesbitt, S. "Liability Management" (Cliffwater, July 2025), as referenced in PitchBook (2026) and Cliffwater (March 2025). HMC Capital does not claim ownership of the underlying data. Content is for informational purposes only.

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ANNEX — Practical Application

Beyond the frequency of windows and repurchase %, it is essential to evaluate the following criteria before investing:

- **What % of the portfolio is held in liquid assets?** Defines the buffer to meet redemptions without liquidating private assets.
- **What is the repurchase history? Have there been pro-rata allocations?** Evaluates liquidity pressure episodes and how the manager handled them.
- **How are distributions funded?** Do they come from real income or return of capital? Distributions with a declining NAV are a red flag.
- **Do they use credit lines? Under what conditions?** Evaluate terms, costs, and lender concentration.
- **Is there a dedicated team for liquidity management (liability management)?** Liquidity must be a specialized function, not a secondary one.
- **How did the fund perform in stress scenarios?** It is the best indicator of the robustness of the liquidity management process.

About HMC Capital

HMC Capital is a global alternative investment company with over 16 years of experience and more than USD 25 billion in assets under management and advisory. With a team of over 100 professionals in 7 countries, we combine global reach with local execution to deliver tailored solutions across multiple asset classes, backed by a strong track record and a long-term vision



Contact Us hmccapital@hmccap.com www.hmccap.com

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