How evergreen funds can improve private market deployment in PPLI

JULY 2026

STEPSTONE

stepstonegroup.com

Introduction

Most private placement life insurance (PPLI) policies funded with private equity insurance dedicated funds (IDFs) face a practical challenge: capital may not be fully invested in private markets for several years. That delay can reduce the compounding benefit PPLI is designed to support.

For advisors and high-net-worth clients who already understand PPLI and IDFs, the strategic case for private markets inside a life insurance wrapper is well established. Tax-deferred compounding, income tax-free death benefits, asset protection, and access to institutional-quality investments can make PPLI a useful vehicle for long-term, multigenerational wealth planning.

Less discussed is how the structure of the IDF can affect that compounding. Most PPLI policies with private market exposure rely on traditional drawdown funds. This paper introduces a novel approach: evergreen IDFs, which we believe fit the PPLI structure far more effectively. StepStone's Balanced Private Markets Fund (SBAL) is among the first purpose-built options designed specifically for this pairing.

The hidden cost of traditional IDF deployment

In drawdown funds, managers typically call capital over two to five years. Until then, premium dollars may sit in money market funds or short-duration bonds, earning less than the private market return the client seeks. That early return drag is the well-known "J-curve." Inside a PPLI policy, it can carry an added cost: each month of cash drag is a month of potential tax-advantaged private market compounding that the client does not capture.

Evergreen funds: deployed on day one

Evergreen, open-ended funds address the deployment issue by design. They accept subscriptions on an ongoing basis and can invest in seasoned portfolios through secondaries (pre-owned fund stakes), which may already be in their value-creation or harvest phases, and co-investments (direct investments alongside fund managers).

The result can be a different return profile:

- **Day-one deployment.** Capital can be invested across a diversified private market portfolio immediately, rather than built over several years.
- **Reduced J-curve drag.** Seasoned assets may reduce the negative early-year returns common in newly launched drawdown funds.
- **Higher return on committed capital.** Because capital can compound continuously, StepStone analysis shows that an evergreen fund returning 9% can deliver the same total return per dollar as a drawdown fund earning 14% (**Figure 1**).
- **Diversification across cycles.** Ongoing reinvestment can spread exposure across vintages and market environments, which may reduce single-vintage concentration risk.

FIGURE 1: COMPARABLE IRR REQUIRED TO ACHIEVE THE SAME MOCC (10-YEAR PERIOD)

Evergreen return	8%	9%	10%	11%	12%	13%	14%
Drawdown IRR equivalent	12%	14%	17%	19%	21%	23%	25%
Investment multiple (MOCC)	2.2x	2.4x	2.7x	2.9x	3.2x	3.4x	3.7x

Source: StepStone Group.
Note: For illustrative purposes only. Not intended to represent any specific fund or investment. Assumes $1 committed; evergreen capital fully deployed day one; drawdown capital called over 10 years with uncalled capital in 50/50 public equity/money market split.

Why PPLI benefits from access to evergreen funds

The PPLI wrapper has structural requirements that evergreen funds may meet more effectively than drawdown vehicles:

- **Duration alignment.** PPLI policies often stay in force for 20 to 40 years or more. Evergreen funds have no fixed end date, forced liquidation, or need to roll into successive vintage funds.
- **NAV compatibility.** Carriers need timely, reliable valuations. Traditional funds report quarterly, often with a 45-to-120-day lag. Evergreen IDFs designed with the PPLI market in mind, such as SBAL, publish weekly net asset value.
- **Administrative simplicity.** No capital calls. No K-1s. This can create a meaningful operational advantage for RIAs managing PPLI across multiple clients.
- **Quarterly liquidity windows.** Drawdown funds offer no redemption mechanism during the life of the fund. Evergreen IDFs can provide periodic exit options, which may help with policy restructuring over a multi-decade policy life.
- **Greater compounding.** Because evergreens put capital to work on day one, they amplify the effects of tax-free compounding (**Figure 2**).

FIGURE 2: TAX-FREE COMPOUNDING: PPLI VS TAXABLE INVESTMENT ($M)

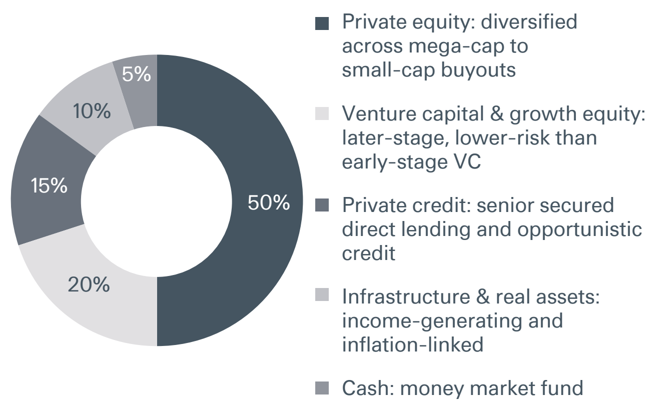
Source: StepStone Group analysis. For illustration purposes only.

Note: This analysis assumes the PPLI compounds tax-deferred at an 8.0% gross annual return; the taxable account compounds at 5.2%—the same 8.0% return net of a 35% annual tax on gains. Assumes a single up-front investment, no withdrawals, and excludes policy, management, and transaction costs. Hypothetical figures shown for illustration only; actual results will vary.

Introducing the StepStone Balanced Private Markets Fund (SBAL)

Many IDFs concentrate in a single asset class. SBAL takes a novel approach: a balanced evergreen portfolio across four asset classes designed for the PPLI wrapper. It seeks growth from private equity and venture capital, income from private credit, infrastructure, and real assets, and a simplified allocation process through one fund with no capital calls (**Figure 3**).

FIGURE 3: SBAL TARGET PORTFOLIO



Source: StepStone Group. For illustrative purposes only.

SBAL is built and managed by StepStone Group (Nasdaq: STEP), a global private markets specialist with approximately $885 billion in total assets under management and advisory, in partnership with SALI Fund Services. StepStone draws on its proprietary research database and long-standing manager relationships to source the portfolio across primary commitments, secondaries, and co-investments. This sourcing model can support faster deployment, reduce fee drag, and dampen the J-curve.

Underlying strategies of the type held by SBAL have historically achieved net returns of 9–12%. Those returns may provide a premium over public equities when compounded tax-deferred inside a PPLI policy, although actual results will vary.

Illustrative impact: PPLI + evergreen vs PPLI + drawdown

Consider a $3 million PPLI premium invested over three years. Under a drawdown IDF, capital deployment may take two to four additional years to reach full investment. Under SBAL's evergreen structure, the full premium can be at work from inception. Assuming a 10% target net return (versus an effective blended return of 7–8% during the drawdown ramp-up), the evergreen approach could produce higher terminal values over a 20-year policy horizon, entirely within the tax-deferred PPLI wrapper.

Considerations and risks

Evergreen IDFs involve trade-offs. Advisors should consider the following:

- **Redemption gates can close.** Quarterly liquidity windows can come under pressure during periods of market stress, and managers may suspend or limit redemptions. This is not unique to SBAL; it reflects the illiquid nature of private markets. The long-term nature of PPLI may reduce this concern, but policy surrender can involve material costs that the insured should understand.
- **The NAV is an estimate, not a transaction price.** Weekly valuations can improve operations compared with quarterly drawdown reporting, but they do not necessarily reflect market-clearing transactions. Realized values at exit can differ. Advisors should set that expectation clearly so weekly NAV updates do not imply false precision.
- **Compliance matters.** The tax advantage of PPLI depends on the IDF continuing to meet IRS diversification rules and investor control restrictions. A violation can trigger recognition of previously deferred income and reduce or eliminate expected tax benefits. Compliance with IDF rules requires ongoing oversight from the IDF administrator.
- **Manager selection remains critical.** The spread between top- and bottom-quartile private equity managers has historically exceeded 1,500 basis points, according to data from Burgiss. Choosing the wrong managers can lead to outcomes that fail to outperform public market equivalents after fees. Access to top-quartile managers requires sourcing relationships, data infrastructure, and deal flow that few platforms possess.

FIGURE 4: STRUCTURAL COMPARISON: TYPICAL DRAWDOWN VS SBAL

	Typical drawdown IDF	SBAL
Capital deployment	Capital called over two to five years; uncalled capital may earn lower returns	Designed for day-one deployment; reduced cash drag
J-curve effect	Negative early cash flows can occur during the deployment phase	May be reduced through diversified, seasoned exposure from inception
Return metric	Designed to maximize IRR (time-weighted)	Designed to maximize MOCC
Liquidity	Illiquid; locked up for fund life	Quarterly redemptions available, subject to fund terms
Reporting/valuation	Quarterly, often with a 45-to-120-day lag	Weekly NAV; compatible with insurance carrier requirements
Minimum investment	Typically $1M+	$10,000
Operational complexity	Higher	Lower

Source: StepStone Group. For illustrative purposes only. Terms are subject to change; please refer to fund documentation.

Conclusion

PPLI's power comes from compounding. Compounding depends on time. Time only works when capital is deployed.

Traditional drawdown IDFs can create a gap between when premiums are paid and when capital starts earning private market returns. That gap is structural, and it can compound in reverse: each month of cash drag is a month of tax-advantaged growth the client does not capture.

SBAL is designed to help close that gap. It seeks to deploy capital from inception across a diversified private market portfolio within the tax-deferred wrapper. For advisors who already believe in PPLI, the key question is whether the IDF inside the policy makes full use of the wrapper's compounding and tax-deferral advantages.

This document is for informational purposes and is meant only to provide a broad overview for discussion purposes. This document does not constitute an offer to sell, a solicitation to buy, or a recommendation for any security, or as an offer to provide advisory or other services by StepStone Group LP, StepStone Group Real Assets LP, StepStone Group Real Estate LP, StepStone Group Private Wealth LLC, StepStone Group Private Debt AG, StepStone Group Europe Alternative Investments Limited and StepStone Group Private Debt LLC, their subsidiaries or affiliates (collectively, "StepStone") in any jurisdiction in which such offer, solicitation, purchase or sale would be unlawful under the securities laws of such jurisdiction. The presentation is being made based on the understanding that each recipient has sufficient knowledge and experience to evaluate the merits and risks of investing in private market products. Information contained in this document should not be construed as financial or investment advice on any subject matter. StepStone expressly disclaims all liability in respect to actions taken based on any or all of the information in this document. This document is confidential and solely for the use of StepStone and the existing and potential investors or clients of StepStone to whom it has been delivered, where permitted. By accepting delivery of this presentation, each recipient undertakes not to reproduce or distribute this presentation in whole or in part, nor to disclose any of its contents (except to its professional advisors), without the prior written consent of StepStone.

Expressions of opinion are intended solely as general market commentary and do not constitute investment advice or a guarantee of returns. All expressions of opinion are as of the date of this document, are subject to change without notice and may differ from views held by other businesses of StepStone.

Some information used in the presentation has been obtained from third parties through various published and unpublished sources considered to be reliable. StepStone does not guarantee its accuracy or completeness and accepts no liability for any direct or consequential losses arising from its use. Thus, all such information is subject to independent verification by prospective investors.

All information provided herein is subject to change.

All valuations are based on current values calculated in accordance with StepStone's Valuation Policies and may include both realized and unrealized investments. Due to the inherent uncertainty of valuation, the stated value may differ materially from the value that would have been used had a ready market existed for the portfolio investments or a different methodology had been used. The long-term value of these investments may be lesser or greater than the valuations provided.

StepStone Group LP, its affiliates and employees are not in the business of providing tax, legal or accounting advice. Any tax-related statements contained in these materials are provided for illustration purposes only and cannot be relied upon for the purpose of avoiding tax penalties. Any taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

Prospective investors should inform themselves and take appropriate advice as to any applicable legal requirements and any applicable taxation and exchange control regulations in the countries of their citizenship, residence or domicile which might be relevant to the subscription, purchase, holding, exchange, redemption or disposal of any investments. Each prospective investor is urged to discuss any prospective investment with its legal, tax and regulatory advisors in order to make an independent determination of the suitability and consequences of such an investment.

An investment involves a number of risks and there are conflicts of interest. Please refer to the risks and conflicts disclosed herein or in relevant disclosure documents associated with potential investments.

Each of StepStone Group LP, StepStone Group Real Assets LP, StepStone Group Real Estate LP, StepStone Group Private Wealth LLC and StepStone Group Private Debt LLC is an investment adviser registered with the Securities and Exchange Commission ("SEC"). StepStone Group Europe LLP is authorized and regulated by the Financial Conduct Authority, firm reference number 551580. StepStone Group Europe Alternative Investments Limited ("SGEAIL") is an investment adviser registered with the SEC and an Alternative Investment Fund Manager authorized by the Central Bank of Ireland and StepStone Group Private Debt AG ("SPD") is an SEC Exempt Reporting Adviser and is licensed in Switzerland as an Asset Manager for Collective Investment Schemes by the Swiss Financial Markets Authority FINMA. Such registrations do not imply a certain level of skill or training and no inference to the contrary should be made.

In relation to Switzerland only, this document may qualify as "advertising" in terms of Art. 68 of the Swiss Financial Services Act (FinSA). To the extent that financial instruments mentioned herein are offered to investors by SPD, the prospectus/offering document and key information document (if applicable) of such financial instrument(s) can be obtained free of charge from SPD or from the GP or investment manager of the relevant collective investment scheme(s). Further information about SPD is available in the SPD Information Booklet which is available from SPD free of charge.

All data is as of July 2026 unless otherwise noted.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS. ACTUAL PERFORMANCE MAY VARY.

We are global private markets specialists delivering tailored investment solutions, advisory services, and impactful, data-driven insights to the world's investors. Leveraging the power of our platform and intelligence across sectors, strategies, and geographies, we help identify the advantages and the answers our clients need to succeed.

For more information regarding StepStone Group's research, please contact us at research@stepstonegroup.com.

STEPSTONE

stepstonegroup.com