

# European ELTIF Study

## Market survey and outlook



**The European Long Term Investment Fund (ELTIF) market grew by more than 50% in 2022 year-over-year. Scope puts the volume at around EUR 11.3bn at the end of 2022 as almost EUR 4bn flowed into the product. EU legislative amendments should give the market further momentum.**

A total of 77 ELTIFs were available to investors at the end of the year, 23 more than in 2021. Among the providers are seven companies that launched their first ELTIFs in 2022. The most active asset managers offering their products to private investors are Amundi, Azimut, BlackRock, Commerz Real, Generali Investments, Eurazeo (which acquired ID Invest in 2018), Muzinich, Neuberger Berman and Partners Group. Forty-four ELTIFs are registered with the Luxembourg supervisory authority.

As in 2021, placed volumes are distributed evenly across private equity, infrastructure and private debt. Private equity and private debt dominate in terms of the number of products but infrastructure ELTIFs are mostly for institutional clients so they are much bigger.

Products that can also be distributed to private investors have gained in relevance: With placed capital of EUR 2.5bn last year, their share of total market volume rose from 54% to 60%. Flows into purely institutional products were EUR 1.5bn, accounting for 40% down from 46% in 2021.

The largest market by placed volume is France, which doubled last year to around EUR 3.8bn. The French market is characterised by products that are exclusively intended for institutional clients but the distribution of ELTIFs to private customers in the form of unit-linked life insurance policies has picked up speed.

In terms of retail business alone, Italy remains the largest market. Around 95% of the total volume of EUR 2.6bn is in products that are primarily sold to private customers. Tax relief continues to have a positive effect.

The German market developed with comparatively little visibility in 2022. KlimaVest continues to be successfully distributed and private banking units of major banks also place ELTIFs. However, many new distribution networks or private banks have not developed. The outlook, however, is more positive: many products are being launched or are in the planning stage and more foundations, family offices and even the first broker pools are interested in ELTIFs.

The ELTIF regulatory amendment is also providing momentum. Market participants expect a lot of new products because of the significant simplifications for asset managers and distributors. Client onboarding and settlement are also about to improve as third-party providers have entered the market with digital platforms, which are for example helping to make the largely manual processes scalable.

The experiences in Italy and France show that tax incentives for private customers are very conducive to investments in ELTIFs. It would therefore make sense for more countries such as Germany to introduce tax incentives for ELTIFs to initiate significant investments from private assets in the European economy transition to CO2 neutrality.

### Analyst

Dr. Andrea Vathje  
+49 40 524724103  
[a.vathje@scopeanalysis.com](mailto:a.vathje@scopeanalysis.com)

### Group Managing Director

Said Yakhoulfi  
+49 69 6677389-32  
[s.yakhoulfi@scopeanalysis.com](mailto:s.yakhoulfi@scopeanalysis.com)

### Business Development

Christian Michel  
+49 69 6677389-35  
[c.michel@scopegroup.com](mailto:c.michel@scopegroup.com)

### Editorial/Press

Christoph Platt  
+49 30 27891-112  
[c.platt@scopegroup.com](mailto:c.platt@scopegroup.com)

### Scope Fund Analysis GmbH

Neue Mainzer Straße 66-68  
60311 Frankfurt am Main  
Tel. +49 69 6677389 0

### Headquarters

Lennéstraße 5  
10785 Berlin  
Phone: +49 30 27891 0

[info@scopeanalysis.com](mailto:info@scopeanalysis.com)  
[www.scopeexplorer.com](http://www.scopeexplorer.com)



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### Access to alternative investments becomes easier

## Introduction

The European Union created European Long-Term Investment Funds (ELTIFs) in 2015 to enable long-term investments in illiquid private market assets i.e. in unlisted investment properties. Among other things, it hoped that this would give new impetus to infrastructure projects by allowing private investors to finance them.

While UHNWI or HNWI<sup>1</sup> with high minimum investment amounts could participate in this segment like institutional clients, standard private investors had few opportunities to invest in private assets. ELTIFs offer private clients and mass affluent clients i.e. clients from the top segment of the mass market opportunities to invest in alternative investments with comparatively small minimum amounts starting at EUR 10,000. Another significant advantage of the ELTIF is the possibility of pan-European distribution, which goes hand in hand with a cost-efficient set-up for clients.

Also, as a lesson from the global financial crisis, the EU has put investor protection at the centre of ELTIFs, which must meet various requirements. These include transparent costs, limited leverage, depositary capacity and high requirements for asset managers in terms of diversification and type of investment. Under the original ELTIF regulation, at least 70% of the fund must be invested long term in the form of private equity, private debt, infrastructure or small and medium-sized companies. Real estate investments are also possible but only if the investment serves a long-term purpose with social or economic benefits. No less restrictive are the requirements for investors, who must undergo an asset check and a separate suitability test before they can invest in an ELTIF.

The strict requirements may have been well-intentioned but they did not help the spread of ELTIFs. In the first few years after its introduction, the new product led a shadowy existence. It was only in the last two to three years that supply and demand have increased noticeably.

### New momentum through changed framework conditions

An amendment to the law is expected to bring new momentum to the market. In February, the European Parliament passed the amended regulations. On 8 April 2023, the revised ELTIF Regulation will enter into force, and nine months later, on 10 January 2024, the regulations must be applied. It should be possible to issue products according to the new rules as soon as they enter into force. Some market players therefore already expect the first ELTIFs to be issued under the new rules in 2023.

This study provides an overview of the ELTIF market in 2022, describing how the product range and placement volumes have developed in individual EU countries. It also explains the new EU regulations and the expected effects and provides an outlook on the ELTIF market 2023-2025.

## The European product universe

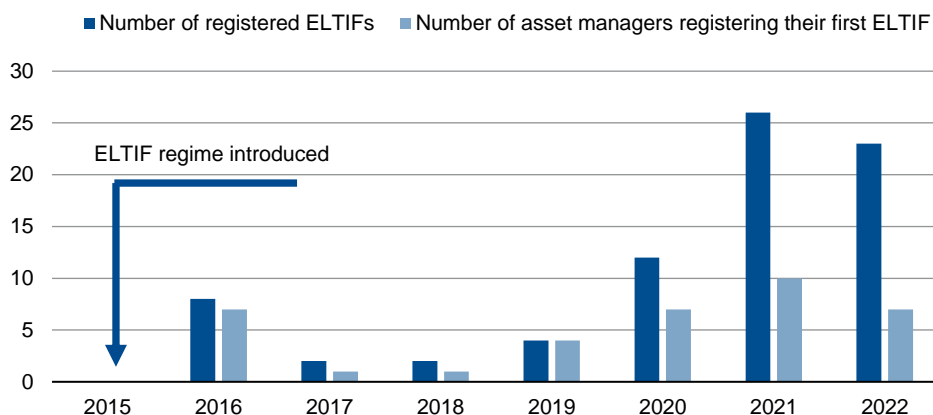
This study is based on 77 ELTIFs that have been registered with a local European supervisory authority or reported directly by asset managers by the end of December 2022 according to the ELTIF register of the European Securities and Markets Authority ESMA<sup>2</sup>. These are offered by 38 different asset managers<sup>3</sup>.

<sup>1</sup> UHNWI = Private investors with investable assets of at least USD 30m; HNWI = Private investors with investable assets between USD 1m and 30m.

<sup>2</sup> ELTIFs of an asset manager that are subject to the same strategy but were registered as several ELTIFs for prospectus-related reasons were counted as one ELTIF. This reduces the number of ELTIFs on the ESMA register from 84 to 77 products by the end of 2022. Products that have been reported by asset managers but are not listed on the ESMA site have been added (three). Products that were never actively marketed (three) were subtracted. This leaves a total of 77 products.

<sup>3</sup> Different asset managers of a group were counted as one asset manager. If a product was set up by a service KVG, the underlying asset manager responsible for product management was used.

**Figure 1: Number of new ELTIFs**



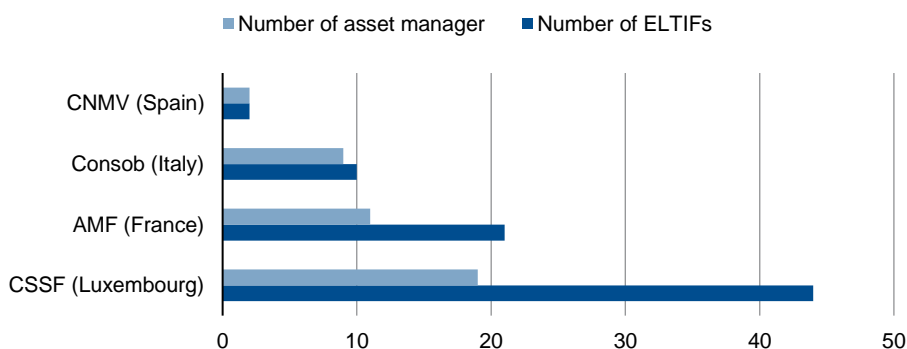
Source: ESMA and own research, prepared by Scope; as at 31.12.2022

### Slightly fewer new products in 2022 than in 2021

Last year, 23 new ELTIFs were added<sup>4</sup>. These were from 15 asset managers, seven of which issued an ELTIF for the first time. This means that slightly fewer new products and asset managers entered the market in 2022 than in the previous year: in 2021 there were 26 new ELTIFs and 10 providers launched their first ELTIF.

Most of the 23 new products – 20 – were registered with the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg. At least 13 of the 20 products registered with the CSSF are registered for pan-European distribution. Three products have been submitted to the Autorité des Marchés Financiers (AMF) in France for registration. These are distributed exclusively to professional clients and are registered for marketing in France only. No new products were registered with the Commissione Nazionale per le Società e la Borsa (Consob) in Italy or the Comisión Nacional del Mercado de Valores (CNMV) in Spain in 2022. Also, no supervisory authority was added to which an ELTIF was submitted for registration for the first time.

**Figure 2: Registration of ELTIFs by supervisory authority**



Source: ESMA and own research, prepared by Scope; as at 31.12.2022

### CSSF in Luxembourg with the most registered ELTIFs

With a total of 44 ELTIFs, Luxembourg has the most registered products, followed by France with 21. In Italy and Spain, 20 and two products were registered in 2022, unchanged from 2021.

<sup>4</sup> In the previous year's study, the number of ELTIFs in 2021 was given as 53. Due to a subsequent notification, the number for 2021 has subsequently increased to 54.

The CSSF also leads in terms of assets under management (AuM) per supervisory authority with around EUR 5.8bn. Around EUR 4.7bn is invested in products registered with the AMF. They are followed by Consob and CNMV<sup>5</sup>.

The AMF products have the largest average volume because most French ELTIFs are large-volume products distributed exclusively to professional investors. Providers that want to distribute ELTIFs across Europe to private clients usually register their products with the CSSF.

### Market volume

**ELTIF market 11.25 to 11.35 billion euros in size**

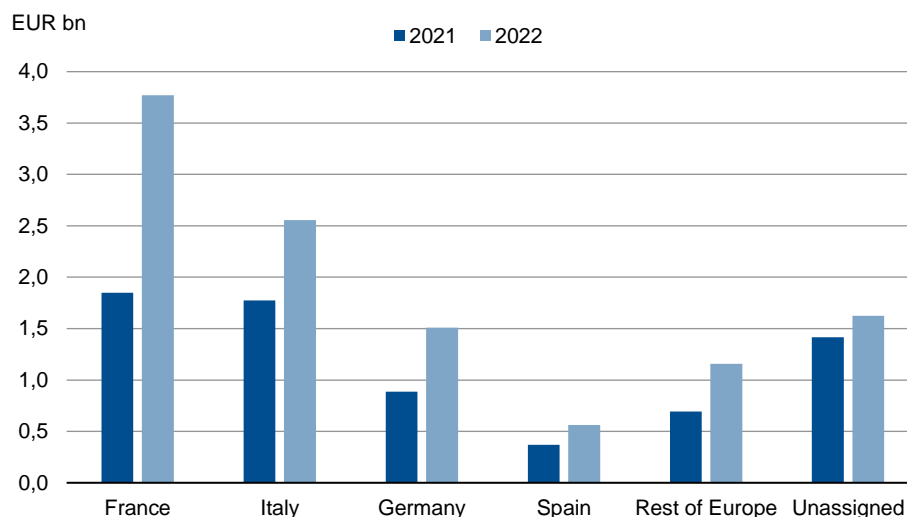
Of the total of 77 registered ELTIFs, 69 were actively marketed as at the end of 2022 and had already had a closing in 2022<sup>6</sup>. These are offered by 35 different asset managers. For 65 of these 69 ELTIFs, detailed data on the placed volume is available for this study. The information comes from the asset managers, from external data providers such as Bloomberg or is publicly available on the internet<sup>7</sup>. A volume of EUR 11.18bn was placed in these 65 ELTIFs by the end of 2022.

For the remaining four products, no information is available so their volume was estimated. Taking this estimate into account, the size of the ELTIF market in Europe was likely to have been between EUR 11.25bn and EUR 11.35bn at the end of 2022.

**Growth of almost four billion euros**

Compared to 2021, the market volume increased by around EUR 3.94bn<sup>8</sup>. This corresponds to a growth of 52%. This should not be overstated given the relatively low starting base, but the significant growth shows that the ELTIF market is seeing some momentum.

**Figure 3: Placed volume by country**



Source: Scope, own calculations; as at 31.12.2022

<sup>5</sup> Detailed figures are not provided here, as the data was submitted confidentially and, in view of the small number of products at the two supervisory authorities, it would be possible to draw conclusions about individual products or providers.

<sup>6</sup> For six ELTIFs, marketing will start or the first closing will not take place until 2023. For two products, marketing was discontinued in the subscription phase.

<sup>7</sup> In principle, 22 asset managers participated in the study.

<sup>8</sup> It should be noted here that the basis for 2021 was reduced by around 270 million euros due to the correction of two sales figures by two providers. At the same time, one asset manager provided new detailed data that increased the placed volume by EUR 238 million at the end of 2021. In net terms, the volume placed in ELTIFs at the end of 2021 has thus been reduced by around EUR 30 million according to detailed figures. In addition, there is more detailed information on the regional placement of ELTIFs for some products, which was not yet available for the previous year's study. The corrected figures and the more detailed information for the historical figures are included in the further evaluations.

### France largest ELTIF market with doubled volume

#### France

In terms of ELTIF volumes placed, France is the largest market<sup>9</sup>. With EUR1.92bn placed last year, the French ELTIF market more than doubled from EUR 1.85bn at the end of 2021 to EUR 3.77bn at the end of 2022.

The strong growth is primarily due to products for institutional clients. Seven of the 14 ELTIFs newly approved for distribution in France last year are aimed exclusively at professional clients. In these seven products alone, as well as an old product that was still actively marketed to institutional clients in 2022, around EUR 1.2bn was placed last year. New purely institutional products are already in the market or in preparation for 2023. For example, BNP Paribas has launched another private-debt ELTIF, and Turenne Capital is working on a private equity product with a focus on healthcare.

It is interesting that the ELTIF is so important among institutional clients in France, while in other EU countries ELTIF demand among institutional clients is less pronounced. One possible reason lies in the history of the market: French companies, Amundi, BNP Paribas, Meridiam, October and Turenne, launched their first ELTIFs for their institutional clients in 2016 and 2017.

### Solvency II and direct lending drive institutional demand

This was significantly influenced by two factors. Firstly, at the time, the ELTIF vehicle provided certainty for the regulatory capital requirements of private equity investments for companies subject to the Solvency II Directive (insurance and reinsurance companies)<sup>10</sup>. At the same time, in conjunction with the general regulations of the AMF, there were further advantages for French investors in terms of transparency requirements in reporting.

Besides this regulatory aspect, the ELTIF was the only vehicle that allowed flexible investments in direct loans. This had a positive impact on the development of private debt ELTIFs. For example, European fintech October launched the first crowdfunding ELTIF back in 2016. In 2022, French providers October and Schelcher Prince Gestion also issued ELTIFs that invest in direct loans.

### Unit-linked life insurance as a driving force

At the same time, ELTIFs are gaining importance in retail insurance wrappers in France. ELTIFs can qualify as unit-linked life insurance products and be purchased by private clients under a life insurance policy under certain conditions and subject to certain investment limits<sup>11</sup>. Private clients benefit from tax advantages when they purchase ELTIFs under unit-linked life insurance policies. If the life insurance policy is held for at least eight years, the investor does not have to pay income tax on reinvested capital gains. If the life insurance policy is paid out after at least eight years, there are further tax advantages<sup>12</sup>.

Unit-linked life insurance ELTIFs are not held directly by private customers but by the insurers. Since the companies fall under Solvency II rules, they benefit from reduced capital requirements for ELTIFs investing in private equity. Apart from the tax advantages for private investors, this may be one of the reasons why ELTIFs in unit-linked life insurance policies have recently been sold quite successfully in France. Another aspect is that if retail customers unexpectedly need access to liquidity, this will be provided by the life insurance company. The life insurer's investment in the ELTIF is not initially directly affected by this.

<sup>9</sup> The following market size estimates are based on the products for which detailed data was available for this study. Whereas according to the Scope ELTIF study data a year ago, Italy was just ahead of France in terms of placed volume, the correction by two asset managers and a new supply of data have historically shifted the ratio between Italy and France. After the correction, France was already the largest market in terms of placed volume in 2021.

<sup>10</sup> Where private equity ELTIFs were recognised as long term equity investments, they were subject to a regulatory capital charge of 38%. In contrast, other private equity vehicles were unclear as to whether they were subject to a regulatory capital charge of 49%.

<sup>11</sup> Qualifying ELTIF products must be issued by a French AIFM. The investment limits are either a maximum of 10% of a contract with a minimum investment of 10,000 euros (i.e. they are not permitted for contracts below 100,000 euros) or 50% of the contract with a minimum investment of 100,000 euros per contract. Taking into account the current ELTIF minimum investment amount of 10,000 euros, a private customer can thus invest 10% in a qualifying ELTIF product for an insurance contract between 100,000 euros and 200,000 euros; from 200,000 euros, the share increases to 50%.

<sup>12</sup> In detail, there is a flat-rate tax-free allowance for the first 4,600 euros of taxable investment income. Beyond that, investment income is taxed at 7.5 percent or, in the case of policies with a nominal amount of more than 150,000 euros, at 12.8 percent (for the volume exceeding 150,000 euros).

French ELTIFs are sold directly by the private wealth units of French major and private banks as well as through independent asset managers. Like in Germany, the complicated onboarding process including identity checks to exclude money laundering or fraud (KYC process) has so far made direct ELTIF distribution in France difficult. A positive factor compared to the German market, however, is that private equity has a comparatively long tradition in the French private client business due to a strong local private equity industry.

#### Italy

With a total placed volume of EUR 2.56bn, Italy was the second largest ELTIF market in Europe by the end of 2022. Compared to the previous year's volume of EUR 1.78bn, this corresponds to an increase of EUR 780m.

ELTIF demand continues to be dominated by private investors with comparatively small average sales per client of less than EUR 100,000. The main drivers continue to be tax incentives for products that invest either in the Italian economy or in innovations according to certain specifications. With these so-called PIR-compliant products (Piani Individuali di Risparmio - individual pension plan), private individuals resident in Italy benefit from an exemption from capital gains tax (normally 26%) and inheritance tax, provided that a minimum holding period of five years is observed. An investor can benefit from tax advantages up to EUR 30,000 per year and up to a maximum of EUR 150,000 in total for a holding period of at least five years.

The Italian provider Azimut alone actively marketed six ELTIFs in 2022, all of which fall under the PIR rules. With 11 ELTIFs, Azimut has the most ELTIFs. It plans to have issued a total of 18 ELTIFs by the end of 2023. One of the main reasons for the success is that product and distribution are handed in one place. In addition, Azimut's advisors (Promotori) can build on a comparatively long history in the distribution of ELTIF products and are well trained in the distribution of private market products. Many of Azimut's clients actively ask for follow-up products after their first ELTIF investment. Moreover, as Azimut now offers ELTIFs on private equity, private debt and infrastructure, clients can diversify their portfolio across different asset classes.

Interestingly, ELTIFs that are not PIR-compliant are also successfully marketed in Italy. Examples are products from Amundi, Neuberger Berman and Pictet. Several aspects play a role here: Thanks to the broad placement of PIR-compliant products, ELTIFs are comparatively well-known among private investors in Italy. This also has an impact on products that are not PIR-compliant. Furthermore, Italian private clients are relatively open-minded towards closed-end funds. In addition, the Italian market with its large number of financial advisors and typically using share classes with comparatively high fees is considered to be particularly strong in distribution. Finally, ELTIF settlement is less of a problem in Italy than in Germany, for example, as the settlement side in Italy is dominated by Allfunds, which can generally settle ELTIFs.

#### Germany

In Germany, approximately EUR 1.51bn in ELTIFs were sold by the end of 2022, up from EUR 890m at the end of 2021. Germany continues to rank third in terms of ELTIF volume placed in Europe.

When analysing ELTIF sales in the past year, it is striking that a large part of the overall increase is attributable to Commerz Real's klimaVest (EUR 406m of the EUR 620m that flowed into German ELTIFs). The volume of klimaVest rose from just under EUR 590m at the end of 2021 to just under EUR 1bn at the end of 2022. This makes it Europe's largest ELTIF, which is also marketed to private investors. As an impact fund (Article 9 of the EU Sustainable Finance Disclosure Regulation), klimaVest invests in renewable energy plants

**Tax incentives strengthen sales in Italy**

**Azimut provider with the most ELTIFs**

**klimaVest responsible for lion's share of ELTIF sales**

and sustainable infrastructure. It offers investors daily liquidity to a certain extent and thus occupies a special position among ELTIFs, which are usually closed-end products with no or only occasional liquidity.

The success of klimaVest is due to the interplay of four aspects. Commerz Real and its parent Commerzbank handle both production and distribution, which is only the case for a few ELTIFs across Europe as many traditional private market houses do not have distribution in the private customer segment. KlimaVest is also being successfully sold outside Commerzbank, e.g. at savings banks and co-operative banks. And the topic of renewable energy is in line with the zeitgeist hence generates customer interest. Finally, klimaVest is the only product in the market that is open-ended with daily liquidity up to a certain volume.

ELTIFs continue to be placed in the private wealth units of the major banks in Germany. Deutsche Bank, for example, had two ELTIFs in active distribution in 2022: the BlackRock Private Infrastructure Opportunities and the Partners Group Direct Equity II. The private wealth unit of UBS also distributed an ELTIF, the Partners Group Private Markets ELTIF<sup>13</sup>. The advantage of the big banks is that they can settle transactions in-house and are not dependent on third-party providers.

### Restrained further development in the German ELTIF market...

Apart from klimaVest and the distribution of ELTIFs within major banks, comparatively little has happened in Germany in the past year. Large distribution networks or private banks did not place ELTIFs to any significant extent. Union Investment, as the central provider of the co-operative sector and one of the largest German fund managers, did launch its Uni-Alternative: Private Market ELTIF A into marketing in the second quarter of 2022. However, sales of the product were discontinued during the subscription phase due to changes in demand. The uncertainty of customers in view of the geopolitical situation, rising inflation, the energy crisis and turbulence in bond and stock markets, was so significant that investments in financial products were postponed. This is also reflected in the statistics of the German Investment and Asset Management Association (BVI), which show a net outflow of EUR 5.5bn from mutual funds in Germany for the second quarter of 2022.

An additional obstacle to the sale of UniAlternativ: Privatmarkt ELTIF A within Union was that the target clientele of high-end private customers had not gained any experience with private markets products. Bringing a new product to market in a difficult environment proved to be a challenge, so Union Investment withdrew the product.

ELTIFs were not a major topic either for central settlement platforms such as dwpbank in Germany except for klimaVest, which is coded as an open product so is a standard product in terms of settlement. In the fragmented German banking market with its many different fund platforms, ELTIF processing still poses a challenge for sales.

### ...but a dynamic start to the year 2023

However, there is some momentum now in the German ELTIF market. Union Investment is working on a new infrastructure ELTIF for late 2023 or early 2024. The focus on a single asset class and a better market environment should improve the starting conditions for a market launch. Given the size of Union Investment and the co-operative banking sector in Germany, the launch of an ELTIF in this segment will be a milestone for the German ELTIF market. In addition to this product, a number of other products are in preparation or have just been launched (see conclusion and outlook).

Neuberger Berman, which is already marketing its third ELTIF with the NB Direct Private Equity Fund 2023, also sees positive developments. The volume placed both overall and in Germany with the 2022 vintage was significantly increased compared to the first product from 2021. For the 2023 vintage, which has just been launched, Neuberger Berman is

<sup>13</sup> In purely arithmetical terms, the volume of this product is attributed to Switzerland, as UBS is set up as a Swiss client in terms of processing.

### Broadening of the client base expected

seeing a lot of enquiries from major banks and private banks but from broker pools too. This is an indication that independent asset managers are discovering the ELTIF for themselves and their clients.

An indication of increasing customer demand in the retail segment among foundations, family offices and independent asset managers is also that the fund platform Fondsdepot Bank, which belongs to the FNZ Group, has classified the ELTIF market as strategic and wants to expand its offering in this area. There is also some momentum among the central settlement platforms, as new providers are approaching the platforms to discuss the inclusion of ELTIFs in the pipeline. Market participants assume that it is only a matter of time before the major settlement and fund platforms can map ELTIFs as a product.

In addition, new third-party providers are entering the market, with aims to simplify ELTIF settlement. This concerns all areas of client onboarding, scaling of bookings and settlement. This is discussed in detail in the section "Third-party providers to support settlement".

### Further development of know-how on private markets essential

Irrespective of the positive developments on the provider and settlement side, building up expertise in private markets among German private client advisors is an essential building block for establishing ELTIFs in Germany. Since private market investments in German retail portfolios have not recently played a major role after the bad experiences with closed-end funds in the financial crisis, the training of private banking and wealth management advisors on private markets is important to ensure that more German private investors invest in private markets in the future. Providers are actively supporting this process. For example, BlackRock launched a training program for distribution partners in February 2023.

### Spain

Spain remains the fourth largest ELTIF market in Europe with a total placed volume of EUR 560m<sup>14</sup>. Last year, around EUR 190m in ELTIF products were sold. As in Italy, the market is dominated by retail products, but professional investors are also active. In terms of asset classes, private debt products dominate, offered by asset managers such as Oquendo, Muzinich or Talde and, since 2022, also by Natixis/MV Credit.

### Tax advantages in the Basque region

After initial confusion about the tax treatment of ELTIFs in Spain, since 2018 ELTIFs have been given preferential tax treatment in the Basque region under certain conditions as an instrument to promote long-term investment in Europe. Thus, ELTIFs of providers that are established in the Basque region and meet certain criteria are subject to a reduced corporate tax rate of only 1%. At the same time, private clients from the Basque region<sup>15</sup> benefit from tax deferrals, income tax advantages and exemption from inheritance and wealth tax when investing in ELTIFs<sup>16</sup>. The latter applies to products that are held for at least five years.

On the settlement side, Allfunds is very active in its home market of Spain. Since Allfunds can basically settle ELTIFs, settlement in Spain is not as problematic as in Germany, for example.

### Other countries

Other EU countries in which ELTIFs with a certain volume were actively distributed are Sweden, the Netherlands, Luxembourg, Belgium, Austria and Finland (order according to sales data). For Sweden and the Netherlands, the changes compared to the figures from the Scope study of the previous year result primarily from adjustments to institutional

<sup>14</sup> This figure is lower than the figure of 580 million euros from the previous year. The background to this is the correction of two sales figures by two suppliers, which were overstated by approx. 270 million euros at the end of 2021. The Spanish market accounted for approx. 60% of this.

<sup>15</sup> The tax benefits apply to investors residing in two of the three Basque regions, namely Bizkaia and Alava.

<sup>16</sup> In detail, a tax deferral applies to reinvestments of profits from ELTIFs. In addition, investors can claim a deduction of 15 percent on income tax, but only up to a maximum amount of 750 euros per year.



products. Market participants see a particular dynamism in the ELTIF market in the Nordic countries, especially in Sweden, the largest wealth market in Scandinavia with a tradition in private equity.

With an appropriate notification process, ELTIFs can also be marketed to private clients outside the EU. For example, some products have been sold to private clients in Switzerland and the UK. In addition, French ELTIFs, which are only authorised for professional investors, have also been sold in some cases outside Europe in the US or in Asia. The reasons for this vary. In part, institutional foreign investors are primarily interested in the strategy of the fund. The vehicle is secondary. Others, especially smaller institutional investors, find ELTIFs attractive because, in contrast to other private market vehicles, they have comparatively low investment minimums and capital is often only collected once.

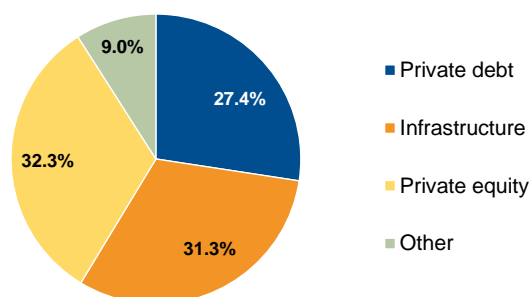
For a placed volume of EUR 1.60bn, no detailed information is available from the asset managers on the countries in which the products were distributed.

### Asset classes

Private equity, infrastructure and private debt almost on a par

As in 2021, the breakdown by asset class in terms of volume placed is relatively evenly distributed between private equity, infrastructure and private debt. At EUR 3.61bn or 32.3%, the private equity asset class accounted for the largest share at the end of 2022. The 24 ELTIFs in this asset class are distributed partly to a broad customer base and partly exclusively to institutional customers. Infrastructure follows close behind as the second largest asset class with EUR 3.49bn or 31.3% of placed volume in a total of seven products. It is notable here that many ELTIFs that were only approved for professional investors invest in infrastructure (including Meridiam's largest ELTIF with EUR 1.3bn). KlimaVest, with a volume of just under EUR 1bn, also falls into this category. The third strongest asset class, with EUR 3.06bn or 27.4%, is the private debt category, which includes 22 products.

**Figure 4: Placed volume by asset class**



Source: Scope, own calculations; as at 31.12.2022

The category "Other" includes mixed strategies, real estate strategies and three products for which no detailed information is available.

Of nine products that invest in multiple asset classes, a large proportion of the total volume was distributed in Italy, as many of the PIR-compliant ELTIF products are not limited to one asset class.

Only four ELTIFs with a focus on real estate

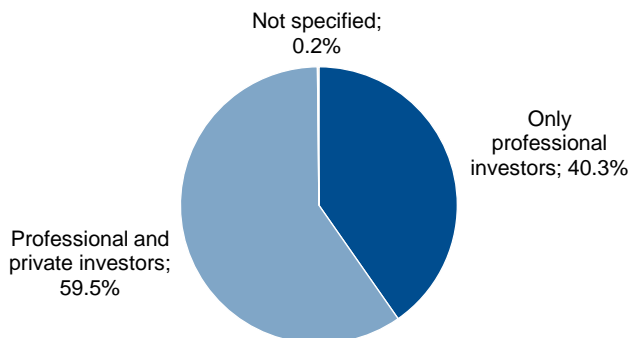
In 2022, four products that focus on real estate or real estate debt came onto the market or were actively distributed: Pictet Real Estate Capital Elevation Core Plus ELTIF, Amundi Realti, Amundi Commercial Real Estate Funding and Eurazeo European Real Estate II ELTIF Private Fund. In view of the small number of products and providers, we have refrained from a detailed evaluation of the Other category in order to protect the confidentiality of the data.

Share of products for professional investors falls from 46% to 40%

### Target groups

Compared to 2021, products that can be sold to both private and professional investors ("private-client ELTIFs") have gained in weight: Their share rose from 54% to 60%. At the same time, the share of products reserved for institutional investors has shrunk from 46% to 40%. Specifically, the growth in private-client ELTIFs was EUR 2.5bn or 58%, while the market for purely institutional products grew by EUR 1.5bn or 50%.

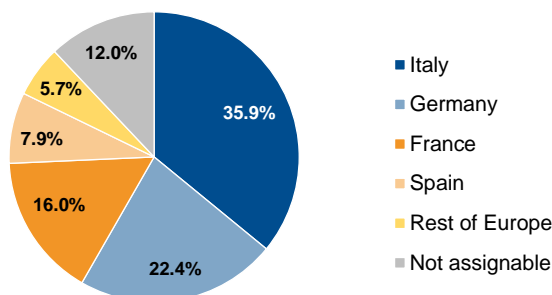
**Figure 5: Placed volume by target group**



Source: Scope, own calculations; as at 31.12.2022

A regional analysis of the private-client ELTIFs clearly shows how strongly this market segment is dominated by Italy. Almost 36% of all private-client ELTIFs were placed in Italy, 22% in Germany (of which two-thirds are from klimaVest alone), 16% in France and 8% in Spain.

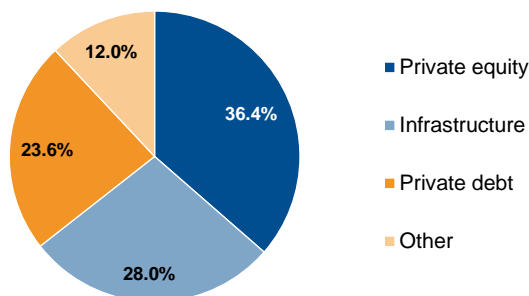
**Figure 6: Placed volume in ELTIFs for private investors by country**



Source: Scope, own calculations; as at 31.12.2022

If placed volumes of private-client ELTIFs are analysed by asset class, private equity accounts for 36%, followed by infrastructure with 28% and private debt with 23.6%. Other products account for 12%. Compared to total volumes, private equity is thus somewhat more heavily weighted in retail products. This is in line with expectations, as private equity is the most accessible of the private market asset classes and thus, in addition to the comparatively high returns expected in this segment, is the entry point for many private clients into the private market segment. The Other category is also weighted higher for retail products than in the overall market. This effect is mainly due to the PIR-compliant products for the Italian market, which often fall into this category.

**Figure 7: Placed volume in private-client ELTIFs by asset class**



Source: Scope, own calculations; as at 31.12.2022

### Around EUR 5.3bn in ESG-related ELTIFs

#### ESG reference

A total of EUR 5.33bn was placed in ELTIFs with an explicit ESG reference by the end of 2022. This corresponds to 47.7% of the total ELTIF volume. These include Meridiam's largest ELTIF, worth EUR 1.3bn, and Commerz Real's klimaVest, worth just under EUR 1bn, both of which fall into the infrastructure asset class. A total of 20 products has an ESG reference, 13 of which fall under Article 8 and four under Article 9 of the EU Sustainable Finance Disclosure Regulation. For three products, the only information available is that they have an ESG focus.

In the context of the ELTIF legal framework amendment, it was discussed whether there should be a separate category with its own screening requirements for ESG-related ELTIFs. This was ultimately rejected so that the classic fund criteria for the ESG classification of an ELTIF are applied.

#### Cost structure

ELTIFs are significantly cheaper than conventional participation models in private markets strategies such as funds of funds. The annual management fees of unit classes with comparatively small minimum investment amounts of less than EUR 100,000 range between approx. 0.95% and 2.5%. Private debt strategies generally have lower management fees than private equity strategies, given lower expected returns. In addition to the management fee, many ELTIFs have a performance fee that is between 10% and 20% above a pre-defined threshold. This hurdle rate is typically fixed at 7%-8% for private equity products and lower for mixed strategies. A few products have benchmark-related performance fees. Some products may have an initial charge, usually up to 2% or 3%. For products with small minimum units, whose target clientele is more in the mass affluent segment, the front-end load can be higher at up to 5%.

#### Maturity

Private debt products typically have a comparatively short maturity of five to eight years. Private equity strategies typically have a maturity of between eight and 11 years. ELTIFs investing in real estate and infrastructure last the longest, some for decades. Products that invest in infrastructure private equity, on the other hand, are designed to be shorter and, at eight to 10 years, have a maturity like a typical private equity ELTIF. All long-dated structures, which are also marketed to private investors, allow early redemption.

### Private debt with shorter maturities than private equity

### ELTIF 2.0 Amendment

When the ELTIF regime was created, reform to the legal framework was already planned after five years. To this end, the European Commission sought feedback from October 2020 on how the attractiveness of ELTIFs could be increased within the framework of a public consultation. Following the consultation, the Commission drafted a proposal to amend the ELTIF Regulation. After negotiations between the European Council, the European Commission and the European Parliament, the reform of the ELTIF regime was adopted on 15 February 2023.

The revised ELTIF Regulation (ELTIF 2.0) will enter into force on 8 April 2023. Nine months later, on 10 January 2024, the revised ELTIF rules will apply. However, it will be possible to issue products under ELTIF 2.0 from the date of entry into force of the revised ELTIF Regulation (opt-in option). Therefore, lawyers in Luxembourg expect the first ELTIFs under the new regulation as early as 2023. Old products may still follow the old rules for five years.

#### Facilitation on the supplier side

The main adjustments for providers can be summarised as follows<sup>17</sup>:

- 1) **Eligible assets:** The minimum investment in eligible assets is reduced from 70% to 55%, while the maximum investment in liquid assets (according to UCITS) is increased from 30% to 45%. "Eligible assets" have been clarified and expanded. Investment in real estate is considerably simplified; a concrete social or economic benefit is no longer necessary. In addition, investments in green bonds and FinTechs are possible, although investments in financial companies older than five years are still not permitted. Real assets can be acquired without a minimum value. The lower limit was previously EUR 10m. In addition, the maximum market capitalization of qualified portfolio companies will be raised from EUR 500m to EUR 1.5bn.
- 2) **Special products for professional investors only:** In the future, products with relaxed specifications reserved for professional investors will be possible.
- 3) **Diversification:** The maximum investment in individual permissible assets will be increased from ten to 20%. For products distributed exclusively to professional investors, there will be no diversification requirements at all in the future.
- 4) **Fund-of-Funds:** Investments in target funds will be possible so that ELTIFs can be designed as funds of funds. An ELTIF can be up to 100% invested in target funds. The target fund universe includes UCITS funds and EU AIFs that are managed by EU AIF managers and which invest in permitted investments. As things stand, the target funds themselves do not have to be ELTIFs. The target funds may not invest more than 10% in other funds (no cascading). For products that are also distributed to non-professional investors, a maximum of 20% may be invested per target fund due to the diversification requirement. Thus, a fund of funds ELTIF must contain at least five target funds. Some market participants see this change as the greatest simplification on the provider side.
- 5) **Master-Feeder:** Master-feeder constructions shall also be possible in the future. However, both the master and the feeder fund must be ELTIFs.
- 6) **Leverage ratio:** The maximum leverage ratio is being increased from 30% to 50% for products that are also distributed to non-professional investors and from 30% to 100% for products for professional investors. Leverage does not have to be used for investments but may also be used to secure liquidity.

<sup>17</sup> The following summary reflects the status as of 14.03.2023, as no final document had been published by the EU by the editorial deadline of this study.

- 7) **Liquidity:** In the future, it should be possible to design ELTIFs with some liquidity features in the form of redemptions before the end of the term (semi-open-ended ELTIFs). The optional liquidity window and the matching mechanism, which is applied for the first time ever to European funds, must ensure fair treatment of investors and give the ELTIF manager sufficient opportunity to monitor the liquidity risk of the ELTIF. Draft regulatory technical standards from ESMA are expected within the next few months. Until then, there is legal uncertainty for products that want to use the semi-open structure.
- 8) **Co-investments by ELTIF managers:** In the future, it should be possible for ELTIF managers and their employees to invest in their own products while meeting compliance rules. For institutional investors, alignment of interests is often an important pre-requisite for an investment in a product ("skin in the game").

#### Facilitation on the distribution side

For **distributors** of ELTIFs, the reform results in the following main changes:

- 1) **Eligible private investors:** The previous minimum investment amount of EUR 10,000 and the 10% cap for private investors with liquid assets below EUR 500,000 are eliminated. However, for products with a term of at least 10 years, a warning about the long term is required.
- 2) **Suitability test:** A separate suitability test for the ELTIF has also been eliminated. Instead, it will be integrated into the MiFID II suitability test.
- 3) **Negative suitability test:** Even if the result of the suitability test is negative, the investor can still invest. In this case, however, the private investor must explicitly agree to enter into the ELTIF.

The amendment has clarified many points where it was previously unclear how certain passages of the law were to be interpreted or how and whether certain criteria had to be proven e.g. in the case of real-estate investments. One of these clarifications concerns the fact that the majority of assets and investments can be located in third countries outside the EU.

Eliminating the separate suitability test and the asset check and thus the integration of the ELTIF into MiFID II-compliant advice are seen as very helpful and welcomed by most market participants. Whether ELTIFs will also be available to self-decision-makers without advice in future (execution-only product) is not yet foreseeable. However, the feedback Scope received from distributors was that they still want to offer ELTIFs exclusively as an advisory product.

#### Significant expansion of the product range expected

The possibility of structuring ELTIFs as fund-of-funds is likely to significantly increase supply, as relatively few asset managers can make the direct investments required under the old regime. Fund-of-fund structures, on the other hand, are widespread among asset managers. For example, ELTIF funds of funds are expected to invest in primaries or secondaries i.e. in shares of private equity funds during the fundraising period or in the secondary market. However, some market participants criticise the allowance of fund-of-funds structures as a dilution of the ELTIF's original objective of promoting direct investments in illiquid real assets such as infrastructure, equity investments and real estate. On the other hand, the acquisition of short-dated secondaries, for example, enables a rapid investment of funds and thus a reduction of the J-curve, especially at the beginning of the term when building up the portfolio.

The expansion of eligible assets e.g. to the real estate sector, and the reduction of restrictions in investments are also seen as positive as it will be easier for providers to run

ELTIFs in parallel with their flagship strategies. This could increase the willingness of some large houses, especially from the US to issue products as ELTIFs.

The possibility of increasing the quota for liquid assets to up to 45% should also be seen against the background of semi-open ELTIFs. This should make it easier for providers that want to structure their ELTIF with liquidity windows to manage liquidity. However, it should be borne in mind that in a product with a high proportion of liquid assets, the typical characteristics of a private market investment in the form of diversification characteristics and illiquidity premium are diluted.

There is still legal uncertainty about the concrete implementation of liquidity windows, as the ESMA implementing regulation is still pending and is only expected in a few months. Many market participants see it as a challenge for providers to manage liquidity windows for illiquid investments without having to accept too much dilution of returns. According to lawyers from Luxembourg, many long-dated ELTIFs are in preparation, especially as mixed strategies, so that liquidity windows will have a practical relevance. The issue of liquidity windows is also likely to be significant for ELTIFs with a smaller minimum investment size, whose target clients are private investors from the mass affluent segment.

Some providers are considering offering new ELTIFs with minimum holding periods of, say, two years and notice periods of perhaps one year. Others are considering offering their product with liquidity of 5% per quarter. However, Blackstone's recent experience with a real-estate product shows that there are reputational risks associated with such clauses if redemption requests cannot be met. It remains to be seen which standard will be established for liquidity windows. Also, especially in the HNWI sector, there will continue to be the classic closed-end products that do not offer liquidity during the term to take full advantage of the illiquidity premium.

#### New regulations cause optimism among market players

Opinions about the success of the ELTIF amendment are predominantly positive. Some market participants even speak of a "game changer" and expect an "exploding" ELTIF market. For a few, however, the simplifications go too far, especially on the provider side. They expect a dilution of the product range. In view of the expansion of investable assets from direct investments to e.g. fund-of-funds products, end investors will have to look even more closely at the product and the associated costs than before.

Market participants agree that ELTIFs will become established as the standard vehicle for private client investments in private markets and that the number of ELTIFs will increase significantly. The industry sees the possibility of offering ELTIFs to private clients on a pan-European basis with a low minimum investment amount as a great advantage. Especially in countries like Germany, where the Reserved Alternative Investments Fund (RAIF) may only be sold to semi-professional and professional clients, great potential is seen for ELTIFs.

The advantages of ELTIFs for private clients are obvious in view of a regulated vehicle. Some market participants also expect many ELTIFs exclusively for professional investors in the future, although this will be mainly driven by providers in the sense of a standardisation of the product offering. As ELTIFs are expected to establish themselves for retail structures, it is easier for providers to use the same vehicle for institutional products as well.

One obstacle that ELTIF providers still face, and where no change is in sight, is different national requirements for ELTIFs to benefit from tax advantages. For example, in Italy, the product must invest in the Italian economy to be considered PIR-compliant and thus be tax-advantaged. In France, ELTIFs must be offered by French AIFMs to be bought into unit-linked life insurance policies and thus be exempt from their special tax rules. A pan-European product cannot meet all these national requirements.

### Service providers support settlement processes

### Third-party providers to support the settlement

The new ELTIF regulation does not offer a solution for the process-related problems on the settlements side of ELTIF distribution beyond institutional clients. In the past, private markets focused on the HNWI and UHNWI segment, and many processes are still designed for a manual client-service model. This concerns client onboarding as well as the scaling of bookings and reports. The operational booking of ELTIFs in the sense of the settlement element itself is complex. German banks in particular, which rely on third-party providers for settlement, were often not in a position to offer their clients an ELTIF at all. Here, the market continues to develop through external service providers that can support providers and distributors at various points in the process chain.

S64 Capital has experience to support processes at scale for ELTIFs with its digital private markets platform, which provides end-to-end support across the core functions of structuring, onboarding, governance, lending value and secondary market and lifecycle management (including capital call and distribution management as well as customised client reporting). S64 Capital has a history of supporting banks and asset managers in providing HNWIs with access to institutional private market products in the form of feeder funds, semi-liquid funds and ELTIFs.

To scale processes, iCapital offers end-to-end operations for asset managers and wealth managers (private banks, family offices etc.). Services include digital client onboarding, digital subscription processes (both single and multiple capital calls) and onboarding with banks and other distributors, as well as customised client reporting. iCapital also offers asset managers advice on the structuring of ELTIFs. Through feeder fund solutions, iCapital has also previously enabled banks to provide HNWIs with access to private market investments.

Similar services - initially focused on Germany - are offered by portagon. Since the German market is very fragmented, support is particularly necessary here. Portagon offers a fully digitalised distribution platform for the private capital market (end-to-end distribution platform). This supports asset managers in mapping the services from digital onboarding to a digital subscription route to information data delivery.

Privatize, with an end-to-end platform for investors and advisors, aims to enable the scaled distribution of private market funds such as ELTIFs. Institutional and private investors will have access to intermediary-distributed private market funds. The company also aims to offer a comprehensive distribution infrastructure for private market funds with its white-label SaaS solution, which can be used by bank advisors and distribution organisations. A market entry is planned for autumn 2023.

Goji also specialises in taking care of all service processes for private market investments around client onboarding, KYC processes, subscription processes and knowledge transfer scalable. As a speciality, Goji has a focus on processing ELTIFs. Market participants have noted with interest that Goji was acquired by Euroclear at the end of 2022. With the acquisition, Euroclear intends to create a separate segment for closed-end funds including ELTIFs within FundSettle. In doing so, products with multiple capital calls will also be possible.

Clearstream also sees potential in ELTIFs and expects more products to be settled in the standard segment of Vestima, Clearstream's fund platform, in the future. This is especially true for providers with many liquid products on offer that are traditionally tradable in Vestima Standard. Products with multiple capital calls can be listed in Vestima's Prime segment, although this is not used by all German banks.

The multitude of developments around settlement shows that the ELTIF has arrived in the financial industry. Market participants assume that standardised processes for ELTIFs will be established in about five years.

If the volume in ELTIFs is large enough, it is only a matter of time before a secondary market for ELTIFs develops, according to market participants. An example from another segment is the secondary market of the Hamburg Fund Exchange, which enables secondary trading for traditional closed-end funds.

### Conclusion and outlook

The year 2022 was a difficult one for the capital markets, characterised by geopolitical uncertainty, the energy crisis, inflation concerns and the rise in interest rates. In a volatile environment, both equity and bond markets performed weakly. Traditional portfolios invested in global equities and bonds suffered significant losses given the positive correlation between equities and bonds and the mark-to-market effects on bond portfolios of higher rates.

In such a difficult environment, the addition of private market investments can increase diversification and improve the correlation properties of portfolios. Regardless of the return expectations of alternative investments, this speaks in favour of integrating private market investments into portfolios above a certain level of assets. At the same time, investments in real assets can offer inflation protection. While private market investments were reserved for institutional clients and HNWIs in the past, ELTIFs also offer private clients the opportunity to invest in the segment with investment sums below EUR 100,000.

Currently, the share of private clients invested in private markets is still very low. According to the Wealth & Asset Management Report 2021 by Morgan Stanley Research and Oliver Wyman, HNWIs had a global average of 3% to 5% invested in private markets in 2020. In the private client segment below HNWIs, Oliver Wyman estimates the allocation to private markets at 1% to 1.5%<sup>18</sup>. For European clients only, the ratios are likely to be even lower.

At the same time, providers of private-market strategies have discovered the wealth segment for themselves. Due to the low interest rate environment, institutional client funds have rapidly increased assets under management in private markets in recent years. The strong growth in institutional business is now expected to slow in the future.

On the one hand, this is because the quotas of private markets have been successively increased in recent years. Once the target quota has been reached, only expiring commitments are typically replaced by new investments. On the other hand, the denominator effect is evident: in 2022, illiquid investments often outperformed liquid investments.

The sharp decline in the value of liquid assets has generally pulled down the overall value of portfolios. As a result, the parts of the portfolio that have not depreciated as much or have remained stable make up a larger share of the portfolio. In addition, the turnaround in the interest-rate cycle has led institutional clients to partially increase their positions in liquid bonds, leaving less capital available for private market investments.

Since private markets have so far only played a minor role among private clients, providers of private-market strategies see promising growth potential in the wealth segment. Morgan Stanley Research and Oliver Wyman expect the portfolio share of private markets to roughly double to 8% to 10% for HNWIs and 2% to 3% for the segment below HNWIs by 2025.

Investors aim to expand exposure to alternatives

Providers see growth potential in the wealth segment

<sup>18</sup> See Oliver Wyman, <https://www.oliverwyman.com/our-expertise/insights/2021/jun/competing-for-growth.html>. Oliver Wyman and Morgan Stanley define HNWIs as private investors with investable assets between USD 1 and 50 million.



### High momentum expected to continue

ELTIFs offer investors a regulated vehicle to invest in private markets with low minimum investments of less than EUR 100,000. After a slow start, the ELTIF market has gained strong momentum over the past two years. This is likely to be further strengthened by the adoption of the regulatory amendment.

In addition to a significant growth in placed capital, momentum can also be seen in new well-known providers and the large number of products that have just come to market or are in the planning stage. Lawyers in Luxembourg expect about 20 new product submissions to the CSSF alone by the end of 2023. In the pipeline are also some mixed strategies, which in the past, apart from Italy, were the exception. There is also a trend towards products with only one capital call, which are easier to handle than products with several capital calls. The table below gives an overview of the ELTIFs currently underwritten or in preparation.

**Table 1: Products in fundraising (private-client ELTIFs only)**

Asset manager	ELTIF name	Strategy	Duration	Minimum investment sum in euros	Capital calls	Expected closing	ESG	Countries of distribution
Azimut Investments S.A.	Infrastructure & Real Assets ESG	Infrastructure & Real Assets, PIR-compliant	9 years (plus extension option)	10,000	Single	Closing expected in July 2023	Article 8	Italy
Azimut Investments S.A.	Private Equity BroadLight	Private Equity, PIR-compliant	10 years (plus extension option)	10,000	Single	Closing expected in April 2023		Italy
Azimut Investments S.A.	Venture Capital P103	Private Equity, Venture Capital, PIR-compliant	10 years	10,000	Single	Closing expected in June 2023		Italy
Azimut Investments S.A.	Private Equity Valsabbina	Private Equity, PIR-compliant	7 years	10,000	Single	Closing expected in July 2023		Italy
Azimut Investments S.A.	Venture Capital ALLcrowd III	Private Equity, PIR-compliant	8 years	10,000	Single	Closing expected in April 2023		Italy
Azimut Investments S.A.	Private Debt Digital Lending III	Private Debt, PIR-compliant	6 years	10,000	Single	Closing expected in September 2023		Italy
BlackRock France S.A.S.	BlackRock Private Equity ELTIF	Private Equity, Co-Investments, Buy-out, Growth Equity and Venture Capital	8 years (+ 3 x 1 year extension option)	30,000	Single	First closing expected in June 2023	Article 6	Pan-European
BlackRock France S.A.S.	BlackRock Future Generation Private Equity Opportunities ELTIF	Private Equity, Co-Investments, Buy-out, Growth Equity and Venture Capital	10 years (+ 2 x 1 year extension option)	125,000	Multiple	First closing expected in June 2023	Article 8	Pan-European
Neuberger Berman AIFM S.À R.L.	NB Direct Private Equity Fund 2023	Private Equity, Co-Investments	8 years (+ 3 x 1 year extension option)	25,000	Single	Closing in October 2023		Pan-European
Partners Group (Luxembourg) S.A.	Partners Group Direct Equity II ELTIF	Private Equity, Direct investments	10 years (+ 3 x 1 year extension option)	125,000	Multiple	Final closing expected in Q1 2024	Article 8	Pan-European
Schroders Investment Management (Europe) SA	Schroders Capital Private Equity ELTIF 2023	Private Equity, Co-Investments, Small/Mid Buyout, Growth	8 years (+ 2 x 1 year extension option)	10,000	Single	Closing in Sep. 2023 (extension option to Dec. 2023)	Article 8	Pan-European

No details of the Goldman Sachs product may be published.

**Table 2: Planned products**

Asset manager	Current planning	Countries of distribution
<b>Aquila Capital</b>	Infrastructure ELTIF, focus on clean energy (hydropower, wind and solar energy, storage, energy efficiency), direct investments, minimum investment initially 10,000 euros, semi-liquid product, Article 9, late summer/autumn 2023	Germany
<b>Azimut Investment S.A.</b>	Four more ELTIFs by the end of the year, one capital call	Italy
<b>J.P. Morgan Asset Management</b>	Building an ELTIF platform	Pan-European
<b>Moonfare</b>	Private equity ELTIF	Pan-European
<b>Muzinich</b>	Private debt ELTIF in second half of 2023	Pan-European
<b>Oquendo Capital SGEIC S.A.</b>	One private debt ELTIF in first half of 2024	Spain
<b>Partners Group (Luxembourg) S.A.</b>	Two ELTIFs until year end 2023	Pan-European
<b>UBS</b>	One Infrastructure ELTIF and one Real Estate ELTIF by year-end, each Strategy from Co-Investments and Fund Investments, Article 8, semi liquid, one capital call	Pan-European
<b>Union Investment</b>	Infrastructure ELTIF, semi-liquid structure, one initial subscription phase and further investments possible later, market entry: early 2024	Germany, Luxembourg, Austria (tbd)

Following Neuberger Berman, Goldman Sachs is another US firm to offer its private markets strategy to private investors in the form of an ELTIF. The Goldman fund will invest in direct transactions across a range of strategies, including buyout, growth, infrastructure, sustainable investing, mezzanine and opportunistic credit. Schroders is also offering an ELTIF for the first time, allowing private clients to participate in the Small/Mid Buyout and Growth strategies in the Private Equity segment. Neuberger Berman continues its vintage concept with the third co-investment private equity fund.

After two products with a more institutional structure (high minimum investment of EUR 125,000 and several capital calls), BlackRock launched its first product with a small minimum denomination of EUR 30,000 and only one capital call in 2023: the BlackRock Private Equity ELTIF. With the BlackRock Future Generations ELTIF, a second product is currently in fundraising, which is again institutional in nature.

Partners Group continues to distribute its Direct Equity II ELTIF and plans to launch two more ELTIFs in 2023. Muzinich is working on another private-debt ELTIF for the second half of 2023, while Spanish provider Oquendo is working on its third private debt ELTIF for the first half of 2024. As the provider with the most ELTIFs, Azimut currently has six PIR-compliant ELTIFs fundraising in the Italian market and expects four more products by the end of the year. Union Investment also intends to launch an infrastructure ELTIF.

In addition, some asset managers are preparing their first ELTIF products. Aquila Capital, for example, is planning its first ELTIF in late summer, which will focus on infrastructure and direct investments in clean energy. The product is to be a semi-liquid ELTIF.

J.P. Morgan Asset Management is building a large-scale ELTIF platform that will draw on the breadth of the firm's alternatives investment capabilities. In addition to an ELTIF product suite, the company will also offer its distribution clients intellectual capital, including market overviews, marketing support and training.

#### ELTIF as a standard product for illiquid investments

UBS is working on its first two products: a real estate ELTIF and an infrastructure ELTIF. Both products make use of the amendment and combine co-investments with fund investments in a semi-liquid format.

The digital private equity investment platform Moonfare, which has already been providing HNWI and institutional clients with access to private equity in the form of feeder fund solutions since 2016, is also considering launching its first ELTIF.

At the latest since adoption of the regulatory amendments, the industry sees the ELTIF becoming the standard vehicle for the private market investments of private clients. Market participants expect that 2023 will be characterised primarily by further learning processes and the processing and implementation of the amendment into products.

From 2024, significantly more products are expected, which should lead to further substantial volume growth from 2024/2025. BlackRock, for example, forecasts a tripling of the market volume in coming years<sup>19</sup>. The international Alternative Investment Management Association (AIMA) estimates that assets in ELTIFs could exceed EUR 100bn within five years<sup>20</sup>.

Scope is not quite as optimistic as AIMA. Nevertheless, we expect significant market growth. Scope puts the volume placed in 2028 at EUR 35bn euros (base scenario). If things go well for the industry, EUR 50bn is possible (dynamic scenario). The pre-requisite for this dynamic increase is that ELTIFs are of high quality and their performance meets expectations.

Given the huge sums of investment that will be needed in the coming years to transform the economy into a carbon neutral world, it would be desirable if tax incentives supported investment from private assets. ELTIFs, which had their origins in the idea of eliminating the structural investment backlog for infrastructure projects in the EU, are the ideal vehicle for this. Experience from Italy and France in particular shows that tax incentives for private clients to invest in ELTIFs are very conducive. In Germany, tax incentives for ELTIFs would be transformational as they would trigger significant investments from private assets into the transition of the European economy towards a carbon-neutral world.

<sup>19</sup> See Private Equity International „BlackRock eyes 1bn Euro for PE and sustainability ELTIFs“ of 9.3.2023.

<sup>20</sup> See AIMA press release of 20 October 2022.

#### Voices from the market

As part of the data collection for this study, Scope asked selected market participants the following question: **How has the perception and acceptance of the ELTIF developed among distributors and investors?**

**West Lockhart, Head of Wealth & Family Offices for BlackRock Alternatives Specialists in EMEA**

*We continue to see very strong interest in private market investments among wealth investors in Europe. Just as UCITS is the industry standard for traditional mutual funds, ELTIFs are increasingly becoming the new standard for accessing private markets for wealth investors. The new generation of fully funded ELTIFs further reduces the operational burden for clients, advisors and platforms and broadens access for the wealth management segment.*

**Christian Hassel, Divisional Board Member Wealth Management & Private Banking Nord/Ost, Commerzbank**

*With ELTIFs, the regulator has created a good "wrapper" to enable contemporary and straightforward investments beyond classic equity and bond investments. As always, it depends on the content. At Commerzbank, we are currently recommending "klimaVest", an ELTIF from the renewable energy sector, thus making direct investments in wind and solar energy possible for our customers. Of course, we are also constantly looking into expanding our ELTIF offering, for example in the area of private equity.*

**Stefan Becker, Client Coverage Group Germany & Austria, Neuberger Berman**

*We are seeing growing interest in ELTIFs from banks and independent distributors. We find it particularly exciting that business partners approach us about tailor-made solutions for the private markets sector. The service requirements of market participants are very similar to those in the UCITS world: simple trading and processing, fair costs for end customers and fair remuneration for our distribution partners – and last but not least, educational sales support.*

**Markus Pimpl, Managing Director, Client Solutions, Partners Group**

*The approval and acceptance of ELTIFs is steadily increasing, in line with investors' experience. For some partners, ELTIFs have become a permanent fixture in the product range. Regular criticism that ELTIF 1.0 is a failure, voiced mainly by asset managers who have not yet launched ELTIFs, is not shared by investors and partners. There are still challenges with regard to product handling, as the current set-up is mostly not designed for closed systems. Expectations for ELTIF 2.0 are high. The dilution of the distinct investor protection is regrettable and could lead to the very effects that were intended to be excluded with 1.0. It is questionable whether the focus on quantity (more ELTIFs) is conducive to the higher-quality assurance of ELTIFs.*

**Jochen Wiesbach, Member of the Management Board, Union Investment Privatfonds**

*The perceptions of asset managers and sales offices have increased significantly. The adjustments in the ELTIF Regulation and the associated reduction in complexity, both in asset allocation and in advisory services, will create potential to support supply. For private clients, only a partial increase in demand can be seen, as they do not yet have a deeper knowledge of the alternative investments asset class. This must be pointed out in the context of investment advice and addressed as an additional diversifying and attractive portfolio component.*

**Table 3: Compilation of ELTIFs included in the study**

Supervisory authority	Asset manager	ELTIF name	Countries of distribution
<b>Private Debt</b>			
CSSF	AMUNDI ASSET MANAGEMENT SAS	AMUNDI SENIOR IMPACT DEBT IV	AT, BE, DE, DK, ES, FI, FR, IT, LU, NL, NO, SE
CSSF	AMUNDI LUXEMBOURG S.A.	AMUNDI ELTIF LEVERAGED LOANS EUROPE	AT, DE, ES, FR, IT
CSSF	AZIMUT INVESTMENTS S.A.	DIGITAL LENDING	IT
CSSF	AZIMUT INVESTMENTS S.A.	CAPITAL SOLUTIONS	IT
CSSF	AZIMUT INVESTMENTS S.A.	AZ ELTIF - (subfund) PRIVATE DEBT - DIGITAL LENDING II	IT
AMF	BNP PAM	BNP PARIBAS EUROPEAN SME DEBT FUND	FR, LU, BE
CSSF	BNP PARIBAS ASSET MANAGEMENT FRANCE	BNP PARIBAS EUROPEAN SME DEBT FUND 2 S.C.SP.-RAIF	AT, BE, DE, FR, IT, NL
CSSF	MUZINICH & CO. (IRELAND) LIMITED	MUZINICH TARGET LOANS 2025	IT
CSSF	MUZINICH & CO. (IRELAND) LIMITED	MUZINICH EUROPEAN LOANS 4 ELTIF SICAV, S.A.	ES
CSSF	MUZINICH & CO. (IRELAND) LIMITED	MUZINICH FIRSTLIGHT MIDDLE MARKET ELTIF	AT, DE, ES, FR, IT
CSSF	NATIXIS INVESTMENT MANAGERS INTERNATIONAL	NATIXIS FUND S.C.A. SICAV-RAIF - (subfund) MV SUBORDINATED - NATIXIS ELTIF	
AMF	OCTOBER FACTORY	OCTOBER ITALIAN SME FUND 1	FR, BE, DE, ES, IT, NL
AMF	OCTOBER FACTORY	OCTOBER SME IV	FR, BE, DE, ES, IT, NL
AMF	OCTOBER FACTORY	October SME II	
AMF	OCTOBER FACTORY	October SME III	
AMF	OCTOBER FACTORY	OCTOBER SME V	FR
CSSF	OQUENDO CAPITAL SGEIC S.A.	OQUENDO IV ELTIF S.C.A. SICAV-RAIF	ES
CSSF	OQUENDO CAPITAL SGEIC S.A.	OQUENDO SENIOR DEBT FUND II ELTIF S.C.A. SICAV-RAIF	ES
CSSF	PARTNERS GROUP (LUXEMBOURG) S.A.	PARTNERS GROUP PRIVATE MARKETS CREDIT STRATEGIES 2017	AT, DE, DK, ES, FI, IT, SE
CNMV	TALDE GESTIÓN, SGEIC,S.A.	TALDE DEUDA ALTERNATIVE	ES
AMF	TIKEHAU INVESTMENT MANAGEMENT	ELTIF TIKEHAU DIRECT LENDING	
CSSF	WAYSTONE MANAGEMENT COMPANY (LUX) S.A. / Trea	TREA DIRECT LENDING ELTIF S.C.A., SICAV-RAIF - (subfund) TDL III ELTIF COMPARTMENT	
<b>Private Equity</b>			
CSSF	AMUNDI LUXEMBOURG S.A.	PI SOLUTIONS - (subfund) AMUNDI ELTIF PRIVATE INVESTMENT CAPITAL OPPORTUNITY	DE, IT
AMF	AMUNDI PRIVATE EQUITY FUNDS	AMUNDI ETI MEGATENDANCES	FR
AMF	AMUNDI PRIVATE EQUITY FUNDS	CAA ETI MEGATENDANCES	FR
CSSF	AZIMUT INVESTMENTS S.A.	AZ ELTIF - (subfund) OPHELIA	IT
CSSF	AZIMUT INVESTMENTS S.A.	AZ ELTIF - (subfund) PENINSULA TACTICAL OPPORTUNITY	IT
CSSF	AZIMUT INVESTMENTS S.A.	AZ ELTIF (subfund) ALICROWD	IT
CSSF	AZIMUT INVESTMENTS S.A.	AZ ELTIF - (subfund) VENTURE CAPITAL - ALICROWD II	IT
CSSF	AZIMUT INVESTMENTS S.A.	AZIMUT ELTIF - (subfund) PRIVATE EQUITY BROADLIGHT	IT
CSSF	AZIMUT INVESTMENTS S.A.	AZIMUT ELTIF - (subfund) VENTURE CAPITAL P103	IT
CSSF	AZIMUT INVESTMENTS S.A. (former AZ FUND MANAGEMENT S.A.)	PRIVATE EQUITY HIGHPOST	Not yet marketed
CSSF	BLACKROCK FRANCE S.A.S.	BLACKROCK PRIVATE EQUITY OPPORTUNITIES ELTIF	BE, DE, DK, EL, ES, FI, FR, IE, IT, LU, MT, NL, PT, SE, NO
CSSF	BLACKROCK FRANCE S.A.S.	BLACKROCK ALTERNATIVE FUNDS S.C.A., SICAV-RAIF - (subfund) BLACKROCK FUTURE GENERATION PRIVATE EQUITY OPPORTUNITIES ELTIF	LU, BE, CZ, DE, DK, ES, FI, FR, EL, IS, IE, IT, NL, NO, PL, PT, SE
CONSOB	CREDEM PRIVATE EQUITY SGR S.P.A.	ELTIFPLUS	IT
CONSOB	EQUITA CAPITAL SGR S.P.A.	EQUITA SMART CAPITAL – ELTIF	
AMF	IDINVEST PARTNERS	IDINVEST ENTREPRENEURS CLUB	ES, LU
AMF	IDINVEST PARTNERS	FONDS NOV SANTE ACTIONS NON COTEES	FR
AMF	MANDARINE GESTION	NOVSS - LE FONDS ESS	FR
AMF	MIROVA	MIROVA ENVIRONMENT ACCELERATION CAPITAL	FR, DE, AT, BE, DK, ES, FI, IT, LU, NO, PB, SW

AMF	MONTEFIORE INVESTMENT	NOV TOURISME ACTIONS NON COTEES ASSUREURS - CAISSE DES DEPOTS RELANCE DURABLE FRANCE	FR
CSSF	NEUBERGER BERMAN AIFM S.À R.L.	NB DIRECT PRIVATE EQUITY ELTIF	LU, BE, DE, DK, ES, FI, FR, IE, IT, NL, PT, SE
CSSF	NEUBERGER BERMAN AIFM S.À R.L.	NB ALTERNATIVE FUNDS SICAV S.A. - (sub-fund) NB DIRECT PRIVATE EQUITY FUND 2022 ELTIF	IT, BE, CZ, DE, DK, ES, FI, FR, IE, IT, LI, NL, PT, SE
CSSF	NEUBERGER BERMAN AIFM S.À R.L.	NB ALTERNATIVE FUNDS SICAV S.A. - (sub-fund) NB DIRECT PRIVATE EQUITY FUND 2023 ELTIF	BE, DE, DK, ES, FI, FR, IT, LI, NL, NO, PT, SE
CSSF	PARTNERS GROUP (LUXEMBOURG) S.A.	PARTNERS GROUP DIRECT EQUITY 2016	AT, BE, CY, DE, ES, FI, FR, IE, NL, SE
CSSF	PARTNERS GROUP (LUXEMBOURG) S.A.	PARTNERS GROUP DIRECT EQUITY II ELTIF SICAV - (subfund) EUR	BE, DE, DK, ES, FR, IE, IT, NL, PT, SE
AMF	TIKEHAU INVESTMENT MANAGEMENT	T2 ELTIF ENERGY TRANSITION FUND	FR, ES
AMF	TURENNE CAPITAL PARTENAIRES SA	EMERGENCE ETI	FR
AMF	TURENNE CAPITAL PARTENAIRES SA	CAPITAL SANTE 2	FR, LU, BE, NL
AMF	TURENNE CAPITAL PARTENAIRES SA	NOV RELANCE IMPACT	
<b>Infrastructure</b>			
CSSF	ADEPA ASSET MANAGEMENT S.A.	SUSTAINABLE INFRASTRUCTURE GROWTH FUND	DE
CSSF	AZIMUT INVESTMENTS S.A.	AZIMUT ELTIF - (subfund) INFRASTRUCTURE & REAL ASSETS ESG	IT
CSSF	BLACKROCK FRANCE S.A.S.	BLACKROCK PRIVATE INFRASTRUCTURE OPPORTUNITIES ELTIF	DE, DK, ES, FI, FR, IT, LU, NL, PT, SE, CZ, EL, PL, IE, BE
CSSF	COMMERZ REAL FUND MANAGEMENT S.A R.L.	KLIMAVEST ELTIF	DE
AMF	GENERALI GLOBAL INFRASTRUCTURE	GF INFRASTRUCTURES DURABLES	
AMF	MÉRIDIAM SAS	MERIDIAM INFRASTRUCTURE EUROPE III SLP	FR
AMF	MIROVA	BTP IMPACT LOCAL	FR
CSSF	WAYSTONE MANAGEMENT COMPANY (LUX) S.A. / Schelcher Prince Gestion	SHELCHER INFRASTRUCTURE DEBT SICAV-RAIF ELTIF - (subfund) SHELCHER EURO IMPACT INFRASTRUCTURE TRANSITION DEBT	LU, BE, DE, FR, IT
CSSF	WAYSTONE MANAGEMENT COMPANY (LUX) S.A. / Schelcher Prince Gestion	SHELCHER INFRASTRUCTURE DEBT SICAV-RAIF ELTIF - (subfund) SHELCHER EURO CORE INFRASTRUCTURE TRANSITION DEBT	LU, BE, DE, FR, IT
<b>Real Estate</b>			
CSSF	AMUNDI ASSET MANAGEMENT SAS	AMUNDI REAL ASSETS FUNDING S.C.A., SICAV-RAIF - (subfund) AMUNDI COMMERCIAL REAL ESTATE LOANS II (ELTIF)	AT, BE, DE, DK, ES, FI, FR, IT, LU, NL, NO, SE
CSSF	AMUNDI LUXEMBOURG S.A.	PI SOLUTIONS - (subfund) AMUNDI REALTI	FR, CZ, DE, BE, ES, NL, AT
CSSF	EURAZEO FUNDS MANAGEMENT LUXEMBOURG	EURAZEO EUROPEAN REAL ESTATE II ELTIF PRIVATE FUND, SCSP SICAV-SIF	
CSSF	PICTET ALTERNATIVE ADVISORS (EUROPE) S.A.	PICTET REAL ESTATE CAPITAL ELEVATION CORE PLUS ELTIF	LU, AT, BE, CY, DE, DK, ES, FI, FR, EL, EI, IT, MT, NL, PT, SE
<b>Mixed/Other</b>			
CONSOB	8A+ INVESTIMENTI SGR S.P.A.	8A+ REAL ITALY - ELTIF	IT
CONSOB	AMUNDI SGR S.P.A.	AMUNDI ELTIF AGRITALY PIR	IT
CONSOB	ANIMA SGR S.P.A.	ANIMA ELTIF ITALIA 2026	IT
CONSOB	ANTHILIA CAPITAL PARTNERS SGR S.P.A.	ANTHILIA ELTIF ECONOMIA REALE ITALIA	IT
CONSOB	EURIZON CAPITAL SGR S.p.A.	EURIZON ITALIAN FUND - ELTIF	IT
CSSF	GOLDMAN SACHS ASSET MANAGEMENT FUND SERVICES LIMITED	GOLDMAN SACHS ALTERNATIVES SICAV - (subfund) PRIVATE MARKETS ELTIF	
CONSOB	HEDGE INVEST SGR S.P.A.	HI ALGEBRIS ITALIA ELTIF	IT
CSSF	KAIROS PARTNERS SGR SPA	RENAISSANCE ELTIF	IT
CSSF	PARTNERS GROUP (LUXEMBOURG) S.A.	PARTNERS GROUP PRIVATE MARKETS ELTIF SICAV	BE, CY, CZ, DE, DK, EL, ES, FI, FR, IE, IT, LU, LI, MT, NL, PL, NO, PT, SE
CONSOB	The EURIZON CAPITAL SGR S.P.A.	EURIZON PIR ITALIA - ELTIF	
CSSF	UNION INVESTMENT LUXEMBOURG S.A.	UNIALTERNATIV: PRIVATMARKT ELTIF A	DE
<b>Not specified</b>			
CSSF	FONDACO LUX S.A.	THE BLOSSOM ELTIF II	Not yet marketed
CONSOB	PRAMERICA SGR S.P.A.	PRAMERICA ITER ELTIF	IT
CNMV	SOLVENTIS, SGIIC, S.A.	FONDO DE INNOVACION	ES



## European ELTIF Study

### Market survey and outlook

#### Scope Fund Analysis GmbH

##### Headquarters Berlin

Lennéstraße 5  
D-10785 Berlin

Tel. +49 30 27891 0

[info@scopeanalysis.com](mailto:info@scopeanalysis.com)

[www.scopeexplorer.com](http://www.scopeexplorer.com)

##### Frankfurt am Main

Neue Mainzer Straße 66-68  
D-60311 Frankfurt am Main

Tel. +49 69 6677389 0

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