European Long Term Investment Funds—Private Fund Sponsors' Perspective

16 October 2026

Introduction

The European Long Term Investment Fund ("ELTIF") was introduced in the European Union ("EU") in December 2015 under the ELTIF regulation (the "ELTIF Regulation"),[1] as a pan-European regulatory label for alternative investment funds ("AIF") designed to invest in illiquid, long-term assets and aimed at both retail and professional investors. ELTIFs are directed at investments in the EU "real economy", which are companies, projects and other assets requiring long-term capital in sectors such as infrastructure, energy, transport, real estate, and research and development, and to contribute to the European Green Deal,[2] in and outside of the EU. The ELTIF is the only type of alternative investment fund that can be offered to retail investors under the EU marketing passport.

Initially, private equity sponsors showed limited interest in ELTIF products, with a small number of ELTIFs authorised. This reflected certain strict requirements of the original ELTIF Regulation, in particular its overly prescriptive investment rules.

To make the ELTIF Regulation more attractive and encourage investments by retail investors in European projects, the European Commission (the "Commission") addressed several regulatory obstacles through a 2023 amending regulation, which applied in January 2024 ("ELTIF 2.0"). Since the launch of ELTIF 2.0, assets in ELTIF vehicles have risen by around 30% year-on-year to €28 billion.[3] According to the European Securities and Markets Authority ("ESMA") register, there are 318 authorised ELTIFs in the EU as of August 2026, of which 167 domiciled are in Luxembourg.[4] The

1 Regulation (EU) 2015/760 of the European Parliament and of the Council of 29 April 2015.

2 The European Green Deal is a roadmap for a sustainable economy for the European Union, aiming to cut emissions by at least 55% by 2030 and reach the 2050 climate neutrality goals.

3 J. Greenwood, "Funds Europe Luxembourg conference: ELTIF 2.0 gaining momentum", Funds Europe, 4 November 2025.

4 Source: ESMA, Register of authorised ELTIFs.

total size of assets under management for ELTIFs is expected to exceed €70 billion by 2028.[5]

This note provides an overview for private fund sponsors of the ELTIF regulatory framework, operational requirements and key considerations.

Fund Structure

To qualify, an ELTIF must:

- be an EU alternative investment fund ("AIF") managed by an EU-authorised investment fund manager ("AIFM") under the Alternative Investment Fund Managers Directive ("AIFMD");
- be, in principle, closed-ended, although ELTIFs may, subject to conditions, operate as open-ended AIFs, with redemptions during their life, described in "Redemption" below;
- invest at least 55% of its capital in specific assets, described in "Eligible Assets" below;
- limit the use of derivatives and leverage, described further in the "Restriction on Use of Derivatives" section below;
- comply with investment, redemption, transparency and marketing rules; and
- be authorised as an ELTIF by a competent authority in the home Member State of the EU AIF.

Fund sponsors can market ELTIFs to professional and retail investors via the ELTIF marketing passport. The majority of ELTIFs have been set up as Luxembourg corporate or fund vehicles, where they are typically structured as Part II UCIs[6] and reserved alternative investment funds (RAIFs).

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5 "ELTIF market with strong growth – assets under management rose by 55% to EUR 34bn in 2025", Scope Explorer, 16 April 2026 (https://www.scopeexplorer.com/en/news/eltif-market-set-for-more-growth-volume-exceeds-eur-20bn-with-record-number-of-new-funds-in-2024/111200)

6 Investment funds set up under Part II of the Luxembourg Law of 17 December 2010 on undertakings for collective investment (UCIs).

Authorisation Process

An AIFM must obtain approval for the ELTIF vehicle from the competent authority of the country of establishment of the fund (the "Fund Regulator") and notify the Fund Regulator under the new fund under management process to market in EU jurisdictions under the passport. Depending on the national competent authority, the EU AIFM may need a specific authorisation to manage ELTIFs.

For the ELTIF to be approved, the AIFM must provide to the Fund Regulator of the EU AIF: (i) the fund rules or instruments of incorporation (e.g. articles of association for SICAVs);[7] (ii) information on the depositary and, if requested, and if the ELTIF is marketed to retail investors, the written agreement with the ELTIF's depositary; (iii) if the ELTIF may be marketed to retail investors, a description of the information which will be made available to retail investors; and (iv) information on any master-feeder structure, if applicable, including the investment strategy, delegation arrangements and other characteristics of the master fund. If the AIFM is not established in the same Member State as the ELTIF, the following information needs to be provided in addition: (i) the written agreement with the ELTIF's depositary; (ii) information on delegation of portfolio and risk management and administration; and (iii) information on the investment strategies, risk profile and other characteristics of AIFs that the manager is authorised to manage.

The Fund Regulator may consider the overall viability of the ELTIF as an investment vehicle based on its target portfolio and the AIFM's ability to implement the fund's stated investment strategy and meet its objectives over its intended investment horizon. For open-ended ELTIFs, the Fund Regulator also looks at its proposed liquidity management system and the AIFM's capacity to meet the liquidity needs of target investors given the illiquid nature of the target long term assets. Fund Regulators have two months from the date of submission of a complete application to notify the sponsor whether an approval has been granted.

[7] Investment companies with variable capital (*Sociétés d'investissement à capital variable* - SICAVs).

Eligible Assets

Investment Asset Restrictions

As of 31 December 2025, existing ELTIF fund volume is reported to be distributed among private debt (33.7%), infrastructure (27.7%) and private equity (22.5%).[8]

The original objective of the ELTIF Regulation was long-term investment in the European Union's "real" economy. Under changes made in 2023, the objective is long-term investment in the real economy generally, without limitation to investments in the EU, recognising that investments in projects in third countries can benefit the EU economy. Hence, there are no requirements on the investment sectors or geographic location of an ELTIF's investments. A majority of ELTIF assets or investments may be made outside the EU, subject to the applicable eligibility conditions.

Eligible investments comprise: (i) eligible investment assets and (ii) assets known as undertakings for collective investment in transferable securities ("UCITS") -eligible assets.

The following are eligible investment assets:

- equity, quasi-equity and/or debt instruments issued by "qualifying portfolio undertakings" (see below);
- loans granted by the ELTIF to qualifying portfolio undertakings with a maturity that does not exceed the life of the ELTIF;
- units or shares of other ELTIFs, EuVECAs,[9] EuSEFs,[10] UCITS or other EU AIFs that are managed by EU AIFMs, provided those funds invest in ELTIF-eligible assets and do not invest more than 10% of their own assets in other funds;
- green bonds issued by a qualifying portfolio undertaking;
- simple, transparent and standardised securitisations; and

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8 "ELTIF market with strong growth – assets under management rose by 55% to EUR 34bn in 2025", Scope Explorer, 16 April 2026 (https://www.scopeexplorer.com/en/news/eltif-market-set-for-more-growth-volume-exceeds-eur-20bn-with-record-number-of-new-funds-in-2024/111200).

9 European venture capital funds ("EuVECAs") under Regulation (EU) 345/2013.

10 European social entrepreneurship funds ("EuSEFs") under Regulation (EU) 346/2013.

- investment in real assets, such as immovable property, infrastructure assets, other assets and water, forest, building and mineral rights, provided they yield a predictable cash flow.[11]

An ELTIF must invest at least 55% of its capital[12] in eligible investment assets. The remaining 45% is invested in UCITS eligible assets (or "liquid bucket"), which are eligible transferable securities, money market instruments, deposits, financial derivative instruments and UCITS funds and other non-EU collective investment undertakings.

ELTIFs cannot:

- short sell assets;
- take direct or indirect exposure to commodities;
- enter into securities lending, securities borrowing or repurchase transactions or any equivalent economic effect transactions if more than 10% of the assets of the ELTIF are affected; or
- use financial derivative instruments, other than for hedging the risk inherent to other investment of the ELTIF.

The ability to invest in non-EU funds is on the condition that those funds invest in ELTIF-eligible assets and meet further eligibility criteria,[13] including that the non-EU fund is subject to supervision considered to be equivalent to that under EU law, with sufficient co-operation between authorities; that there is equivalent unit-holder protection in relation to asset segregation and borrowing; and that no more than 10% of the assets of the non-EU fund are themselves invested in other funds. In practice, investment in non-EU funds will require careful verification that the non-EU fund's domicile meets ESMA's equivalence standards, analysis of the non-EU fund's

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[11] The ELTIF 2.0 Regulation broadened the "real assets" and "qualifying portfolio undertakings" concepts, e.g. by expanding real assets to include a wide range of infrastructure, intellectual property and other tangible/intangible assets with intrinsic value and by removing the prior EUR 10 million minimum-value threshold for individual real assets and raising the market-capitalisation threshold for listed qualifying portfolio undertakings to EUR 1,500 million (notably, works of art, manuscripts, wine stocks, jewellery and similar assets that do not represent long-term investments in the real economy are excluded from the "eligible investment assets" category).

[12] Capital is the aggregate capital contributions and uncalled committed capital calculated on the basis of amounts investible after deduction of all fees, charges and expenses that are directly or indirectly borne by investors. ELTIF 2.0 Regulation lowers the mandated minimum investment threshold in eligible investment assets from 70% to 55%, which allows liquidity management for fund managers to better accommodate semi-open-ended structures and vehicles with hybrid strategies.

[13] Set out in Article 50(1) of the UCITS Directive.

investment portfolio to confirm that at least 55% qualifies as ELTIF-eligible assets on a look-through basis, and ongoing monitoring to ensure continued compliance. Qualifying non-EU funds are rare and are typically limited to regulated non-EU retail mutual funds. Most non-EU private funds do not offer UCITS-equivalent investor protections and therefore fall outside this category.

Qualifying Portfolio Undertaking

A qualifying portfolio undertaking must be unlisted or, if listed on an EU-regulated market or multi-lateral trading facility, must have a market capitalisation of no more than €1.5bn.

Qualifying portfolio undertakings can be in or outside the EU (a "third country"), subject to various conditions, including that the third country has signed an agreement with the ELTIF manager's home Member State and with every Member State in which the ELTIF is marketed which complies with the standards in the OECD[14] Model Tax Convention on exchange of information on tax matters.

ELTIFs may only invest in financial undertakings where the financial undertaking, at the time of the investment, has not been authorised by its competent authority for more than five years. This is to support investment in fintechs and other innovative firms in the financial sector.

ESMA has clarified in its Q&A that assets may be treated both as eligible investment assets and as UCITS-eligible assets, so an ELTIF manager is not required to categorise such assets exclusively into one category.[15] A single asset may therefore be used for both eligibility and liquidity purposes, offering operational flexibility and simplifying portfolio-construction analysis.

Portfolio Composition and Diversification Rules

The ELTIF sponsor must ensure that the fund's portfolio complies with applicable diversification and concentration criteria. Unlike retail ELTIFs, ELTIFs offered to professional investors are not subject to any diversification requirement or maximum acquisition limit.

Except for feeder funds, retail ELTIFs may not invest more than:

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[14] Organisation for Economic Co-operation and Development ("OECD").

[15] ESMA Q&A 2470 on ELTIF Regulation (14 March 2025).

- 20% of their capital in instruments issued by, or loans granted to, any single qualifying portfolio undertaking;
- 20% of their capital in a single real asset;
- 20% of their capital in units or shares of any single ELTIF, EuVECA, EuSEF, UCITS or EU AIF managed by an EU AIFM or any single non-EU AIF meeting the eligibility requirements;
- 10% of their capital in UCITS-eligible assets, where issued by a single body;
- 20% of their capital in simple, transparent and standardised (STS) securitisations; and
- 10% of their capital in exposure to a single counterparty resulting from over-the-counter derivatives and securities financing transactions.[16]

Other than where the ELTIF is a feeder vehicle, retail ELTIFs cannot acquire more than 30% of the shares or units issued by a single target fund (ELTIF, EuVECA, EuSEF, EU AIF, non-EU AIF or UCITS). Retail ELTIFs investing in other funds must aggregate their direct investments and the investments of the underlying target funds for the purpose of the risk-diversification requirements.

The portfolio composition and diversification rules apply from the date specified in the rules or instruments of incorporation of the ELTIF (a ramp-up period) and cease to apply once the ELTIF starts to sell assets to redeem investors' units or shares at the end of its life. The ELTIF can suspend these rules for up to 12 months where it raises additional capital or reduces its capital. The ramp-up period end date must not be later than five years after the fund's authorisation date, or, if the period is shorter, after half of the fund's life. In exceptional circumstances and upon submission of a justified investment plan, the ELTIF's Fund Regulator may approve a one-year extension of that date.

In the ESMA Q&A,[17] the Commission explained the role of special purpose vehicles, holding companies and other intermediary entities in ELTIF structuring, with helpful guidance to private equity, infrastructure, real assets and private credit managers which use holding and aggregator vehicles. The Commission confirmed that these vehicles act as conduits through which the ELTIF holds its underlying positions and are not

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[16] Securities lending, securities borrowing and repurchase transactions and similar transactions. The use of derivatives and securities financing transactions by ELTIFs is restricted (see *Restrictions on Use of Derivatives* section below).

[17] ESMA Q&A 2468 on ELTIF Regulation (14 March 2025).

considered ELTIF investments, with the portfolio composition and diversification rules applying on a look-through basis to the underlying assets held by these vehicles.

The Commission also explained that subscriptions or redemptions may trigger temporary suspensions of the portfolio composition and diversification requirements for up to 12 months. During any such suspension, managers must refrain from increasing concentration or leverage and must take appropriate measures to restore the ELTIF to full regulatory compliance within the permissible timeframe.

Feeder Funds and Funds of Funds

One of the key changes arising from ELTIF 2.0 is to allow managers to establish ELTIF master-feeder and fund-of-funds structures.

Master-Feeder Structures

A feeder ELTIF is an ELTIF that invests at least 85% of its assets in the units or shares of a master ELTIF. Where the ELTIF is a feeder, the 30% concentration limit that applies to an ELTIF investing in other ELTIFs does not apply.

Funds-of-Funds

As above, managers may establish ELTIF funds of funds through investing in other ELTIFs, EuVECAs, EuSEFs, UCITS or other EU AIFs that are managed by EU AIFMs, provided those funds invest in ELTIF-eligible assets and do not invest more than 10% of their own assets in other funds, with some capacity to invest in non-EU funds that meet the eligibility requirements described in the *Investment Asset Restrictions* section above.

For the purpose of the ELTIF's minimum eligible investment assets test, an investment in an underlying fund is taken into account by reference to the underlying fund's own holdings of ELTIF-eligible assets. For example, a €10 million investment in a fund, that holds 80% of its asset as ELTIF-eligible, contributes €8 million towards the ELTIF's own ELTIF-eligible assets for the purpose of the 55% threshold. As a result, fund-of-funds managers favour underlying funds with high ELTIF-eligible exposure. In practice, managers avoid unnecessary layers of fund investments since each layer makes tracing eligible exposure harder, though investment in underlying funds that include, for instance, secondary investment in other funds, is viable, provided that the ELTIF still meets the 55% and diversification requirements on a look-through basis.

Borrowing

ELTIFs may borrow cash under the following conditions:

- the borrowing does not exceed 50% (if marketed to retail investors) or 100% (if marketed solely to professional investors) of the fund's net asset value. ELTIF 2.0 raised these limits beyond the original 30% limit. These limits apply from the date specified in the ELTIF's rules or instruments of incorporation and no later than three years from the start of marketing;

- borrowing is used to make investments or provide liquidity, subject to the condition that the ELTIF does not have available cash for this purpose;

- borrowing must be in the same currency as the assets to be acquired or, where borrowing is in another currency, the exposure must be adequately hedged; and

- the maturity of the borrowing may not exceed the life of the ELTIF if the fund has a fixed life.

ELTIFs may grant security over their assets and investors' undrawn commitments in favour of their creditors. Any borrowing which is fully covered by investors' undrawn capital commitments is not treated as borrowing for the purpose of the limits described above. The manager must state in the prospectus whether the ELTIF intends to borrow cash as part of its investment strategy and the borrowing limits.

The borrowing limits apply after a ramp-up period of up to three years from the start of marketing. The limits may be temporarily suspended for periods of up to 12 months where capital is being raised or reduced. This gives managers flexibility where redemptions or capital restructurings occur before the end of the ELTIF's life.

If the ELTIF breaches its diversification rules or borrowing limits due to circumstances beyond the manager's control, the manager must take appropriate measures, within a suitable timeframe, to remedy the situation, while duly considering investors' interests.

Restriction on Use of Derivatives

ELTIFs may only use derivatives for the purpose of hedging risks inherent to their other investments, such as currency risk, interest rate risk or credit risk, and not for investment purposes or to generate additional leverage.

This hedging-only restriction applies to all ELTIFs regardless of whether they are marketed to retail or professional investors. The applicable RTS require that the use of

derivatives is economically appropriate at the ELTIF level, consistent with the ELTIF's risk profile, aimed at a verifiable reduction of the risks at the ELTIF level and referenced to underlying assets that match or are economically similar to the ELTIF's actual exposures.

ELTIF must not use derivatives that expose them to short positions or to commodity exposure, as this is inconsistent with their eligible-investment restrictions and long-term investment purpose.

Over-the-counter ("OTC") derivatives are permitted, subject to the ELTIF's aggregate risk exposure to a single counterparty not exceeding 10% of the ELTIF's capital (this limit was increased from 5% to 10% under ELTIF 2.0). This limit does not apply where the ELTIF is marketed solely to professional investors. ELTIFs must ensure that counterparties to OTC derivative transactions are subject to prudential supervision and belong to categories approved by the competent authorities.

ELTIF managers must clearly disclose in the prospectus their derivatives policy, including the types of derivatives that may be used, the hedging purposes for which they will be employed and the risk management procedures in place.

Redemption Policy and Liquidity Management Tools

Under the original ELTIF Regulation, and in contrast to UK Long-Term Asset Funds (LTAFs), ELTIFs were typically structured as closed-ended vehicles with redemption rights only at the end of the ELTIF life. This feature has been challenging in the context of retail distribution, which generally requires an open-ended product.

ELTIF 2.0 allows managers, subject to conditions, to structure an ELTIF as an open-ended vehicle with redemption mechanisms. There is a separate Regulatory Technical Standard ("RTS") which covers the use of redemption mechanisms, and the redemption policy must outline key aspects of processing investor redemptions, including:

- the periods in which redemptions are available;
- the use of liquidity to fund redemptions, including any liquidity management tools used (e.g., gating, redemption fees and suspension options);
- the role of various stakeholders' and investors' rights in the redemption process; and
- the valuation of assets for redemption purposes.

Where an ELTIF's rules or instruments of incorporation permit redemptions during the life of the fund (as a derogation from the default rule that redemptions are only possible at the end of the fund's life), these redemptions may not be granted before the end of a minimum holding period or before the end of the ramp-up period. A fund is not therefore required to update a separate minimum holding period where the fund instead gates early redemptions by reference to the ramp-up end date. Once the redemption window opens, the manager must cap redemptions by reference to the quantity of liquid assets held by the fund (UCITS-like assets), plus expected positive cash flows over the following 12 months.[18] The RTS gives ELTIF managers two alternative methods for calibrating the maximum redemption percentage. Under Annex I, the percentage is calibrated by reference to both the ELTIF's redemption frequency and its notice period (including any extension of that notice period), using one of three prescribed options (a baseline option and two options allowing redemption requests to be aggregated on a one-month or two-month basis); the applicable percentage decreases as the notice period shortens relative to the redemption frequency and reaches 100% once the notice period matches or exceeds the redemption interval. Under Annex II, the percentage is instead calibrated by reference to redemption frequency alone, cross-referenced against a minimum percentage of liquid assets (the Article 9(1)(b) assets) the ELTIF must hold. Four frequency bands apply: 12 months or less frequently; six months; three months; and one month or more frequently, and each is linked to a prescribed minimum liquid-asset percentage and a corresponding maximum redemption percentage.

Separately, if the ELTIF's notice period (including any extension) is less than three months, the manager must inform the competent authority and justify why that shorter notice period is consistent with the ELTIF's individual features.

The competent authority must be satisfied with the ELTIF's redemption policy and its liquidity management tools.[19] The conditions and procedures for redemption must be clearly disclosed in the fund documentation and retail investors must be treated fairly. When redemption requests exceed the maximum percentage accepted at a dealing point, redemptions may be carried out on a *pro rata* basis.

Transfer Requests

The ELTIF 2.0 Regulation allows managers to introduce a matching mechanism to enhance liquidity by connecting buyers and sellers within the fund. Managers are not required to offer this mechanism, but if they choose to do so, it acts as a marketplace

[18] The detailed calibration and requirements regarding redemption limits are determined in line with Annex I and Annex II of the ELTIF RTS (Commission Delegated Regulation (EU) 2024/2759).

[19] E.g. gating, redemption fees, notice periods or suspension options.

within the fund, pairing investors wishing to sell their units or shares with potential investors. When a manager offers matching, the RTS specifies that the manager must set up predetermined procedures to ensure fair and transparent buyer-seller matches, including matching windows, dealing dates and execution prices. A manager must disclose detailed information about the matching process, including the criteria for matching and any associated fees, and keep this information up to date.

The policy and procedures must be designed to prevent, manage and monitor conflicts of interest and to guard against information asymmetries between existing and incoming investors. Where an ELTIF is marketed to retail investors, managers must also issue a written warning that the availability of a matching mechanism does not guarantee matching or entitle investors to exit or redeem their units or shares. This mechanism aims to enhance secondary transfers, improve liquidity options and increase the attractiveness of ELTIFs, including to retail investors.

Marketing and Distribution

ELTIFs can be marketed to both professional and retail investors, allowing outreach to European investors who cannot be approached under the AIFMD marketing passport. To ensure that non-professional investors are adequately protected, managers must comply with detailed transparency requirements under the ELTIF Regulation so that prospective investors can make informed investment decisions and understand the risks involved.

Managers must carry out suitability assessments for retail investors, evaluating their knowledge and experience in the investment field relevant to the ELTIF; their financial situation, including their ability to bear losses; and their investment objectives and risk tolerance, and provide a statement of suitability. This assessment is required whether the retail investor invests in an ELTIF directly or via the secondary market.

Under ELTIF 2.0, managers' access to retail investors has been simplified. The previous minimum investment threshold limit has been removed, and the investor-suitability tests are now aligned with MiFID II's[20] suitability framework. Separately, the ELTIF Regulation requires the prospectus to disclose the various costs investors will bear. The disclosures include, inter alia, the costs of setting up the ELTIF, costs related to acquiring assets, management and performance fees, distribution costs and all other

[20] Markets in Financial Instruments Directive II (Directive 2014/65/EU).

costs. Each cost must be shown as a percentage of the ELTIF's net asset value over a one-year period.

Some managers establish ELTIFs to provide access to existing strategies to retail investors, alongside their core institutional products. Retail ELTIFs may, however, generate lower target returns than the corresponding institutional product as a result of additional compliance costs and the combination of lower minimum subscription amounts and the tendency for ELTIF commitments to be fully drawn down early, which can leave the fund holding more uninvested cash, diluting returns. As a result, institutional investors may prefer to continue to invest through an institutional-only product. Separately, managers should be confident in their deal pipeline and capacity to deploy capital before launching a retail ELTIF alongside an existing institutional strategy to avoid the two vehicles competing for the same assets. Where they do compete, the additional investible cash chasing the same opportunities can put upward pressure on asset pricing, reducing net returns for institutional investors in the existing vehicle.

Product Scope and Investor Base

Fund managers may use the ELTIF marketing passport to market to a broad fund-raising base across Europe, including large institutional or public investors, smaller institutions and family offices, and high-net-worth individuals.

To obtain the ELTIF retail marketing passport it is necessary for venture capital managers to be authorised as full-scope AIFMs. However, it is unlikely that the benefit of the marketing passport outweighs the associated compliance burden, noting that those managers may already market EuVECAs to qualified retail investors across Europe under the EuVECA passport, subject to investors making a minimum commitment of €100,000. Other managers which are not authorised as full-scope AIFMs may only manage an ELTIF if they opt in to the full requirements for full-scope AIFMs under AIFMD. In that case, managers should weigh the costs of opting in, including additional regulatory, operational and reporting requirements, against the benefits of marketing to a broader investor base.

For larger venture capital managers which are not authorised as full-scope AIFMs, the attraction of the ELTIF is that it allows investors to participate with low minimum investment commitments and now greater flexibility to operate the fund compared to the original ELTIF regime, particularly regarding leverage restrictions and portfolio composition for professional-investor-only ELTIFs.

Insurers subject to Solvency II[21] are among the largest potential institutional investors in ELTIFs, with the Solvency II capital framework calibrated to encourage this investment. ELTIF equity holdings benefit from the solvency capital requirement treatment reserved for "type 1" equities where full look-through to underlying exposures is possible (or as fund units/shares where it is not), i.e., the lower capital charge that otherwise applies only to equities listed on EEA- or OECD- regulated markets, or traded on EU multilateral trading facilities by EU-headquartered issuers, rather than the higher "type 2" charge that applies to equities outside the listed EEA/OECD category, such as unlisted shares or equities listed on non-EEA/non-OECD exchanges. Where the ELTIF's underlying assets qualify as infrastructure investments, an even more favourable capital treatment may apply. This materially reduces the regulatory capital insurers must hold against ELTIF exposures compared to similar investments made outside the ELTIF wrapper, making ELTIFs a capital-efficient vehicle for insurance investors.

Other Obligations of Private Fund Sponsors

ELTIF managers must publish a prospectus and an annual report. These must clearly state whether the ELTIF is intended to be marketed to retail investors. A paper copy of the prospectus and annual report must be provided free of charge upon request. Except for purely professional ELTIFs, the manager of ELTIFs marketed to retail investors must provide a Key Information Document (KID) for ELTIFs, under the PRIIPs regulation.[22]

In these documents, the manager must inform investors about key features and risks of the ELTIF, including, among other things: the illiquid and long-term nature of the vehicle; the categories of assets in which it may invest; the risks associated with investing in real assets and other illiquid instruments; the fund's term and possible extension and its distribution policy; investors' rights to redeem or transfer their interests and the applicable conditions; and the costs structure.

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Please do not hesitate to contact us with any questions.

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21 Directive (EU) 2025/2

22 Packaged Retail and Insurance-Based Investment Products (PRIIPs) Regulation (Regulation (EU) No 1286/2014).



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