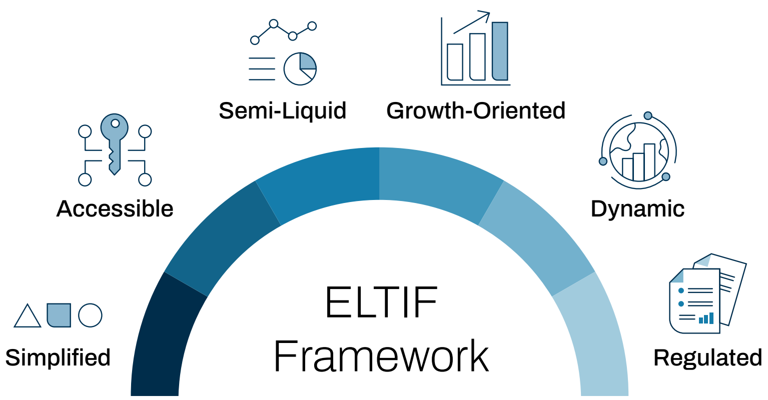
Intro to ELTIFs

What are ELTIFs?

ELTIFs are funds that follow an EU regulatory framework that allows non-professional investors access to private markets investments with a focus on the European economy.

Previously, large minimum investments, capital calls, and limited liquidity restricted the private markets to large institutional investors. ELTIFs lower these barriers and broaden access to the private markets to non-professional investors.

While there are a wide variety of ELTIFs, they tend to have certain attributes in common, including low investment minimums. They may be structured as traditional closed-end funds or as evergreen funds, which don't have a fixed end date or lock-up period. Evergreen funds with an underlying focus on private markets should be considered long-term holdings. However, unlike closed-end funds, they give investors the option to redeem part or all of their capital at regular intervals, often monthly or quarterly. In addition, evergreen funds often have lower minimum investment requirements than traditional private market funds.



ELTIFS are regulated funds that lower barriers to private market investing

WHAT YOU SHOULD KNOW:

- An ELTIF (European Long-Term Investment Fund) is a fund that offers non-professional investors access to the private markets.
- These funds were developed to allow investors to support the real economy in the EU. As a result, they tend to focus on assets such as private equity and infrastructure investments.
- ELTIFs follow a regulatory framework that has clearly defined rules. For example, each fund must meet geographic and asset diversification requirements.
- ELTIFs may be structured as evergreen funds, which are designed for non-professional investors. This means they may offer limited monthly or quarterly liquidity, and they may have lower investment minimums than traditional vintage-year private market funds.

What are the risks of ELTIFs?

Like all investments, market fluctuations can affect the performance of ELTIFs. Certain sectors are more likely to be affected by market changes than others. Because ELTIFs are available in a variety of sectors and structures, investors should understand the underlying investments in the specific fund they choose.

What are the benefits of ELTIFs?

Investing in the private markets through ELTIFs may offer the potential for:

1. Access to a wide investment pool: Approximately 90% of all companies with $100M in revenue are privately owned*. This makes private market investing crucial for building a diversified portfolio.

2. Attractive risk-adjusted returns: ELTIFs give non-professional investors access to diverse private market investments.

3. Multi-asset exposure: ELTIFs may include investments in private equity, private infrastructure, private credit and real estate, providing investors with all-in-one private market exposure.

How can ELTIFs fit in investors' portfolios?

ELTIFs may serve as a complement to public market investments. Investors and their advisors should consider the fund's specific features when determining the best one for a diversified portfolio. Features to consider include:

- Diversification. ELTIFs can vary in their underlying holdings, but they must all meet certain diversification requirements. This might make ELTIFs a good fit as a core private markets holding.

- Liquidity. Investors have different liquidity needs, and this is an important consideration when investing in private market funds. ELTIFs invest in private markets, which generally take years to realize their value and should be considered long-term holdings. Evergreen ELTIFs generally offer limited monthly or quarterly liquidity, which is significantly higher than traditional closed-end private market funds.

Institutional investors have been using private markets to enhance their portfolios for decades. Over time, the asset class has proven to be a core economic driver. Now that private markets are established, the EU Commission decided to make them more broadly accessible, so that non-professional investors can also benefit from them and participate in stimulating the economy.

As a result, non-professional investors can now access institutional-grade assets in a much friendlier way and get access to new return streams and the potential to further diversify their portfolios.

- Globally, there are over 95,000 private companies with annual revenues over $100 million vs. approximately 10,000 public companies with the same annual revenues, Source: Capital IQ (February 2022).

*Source: Capital IQ (November 2022)

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