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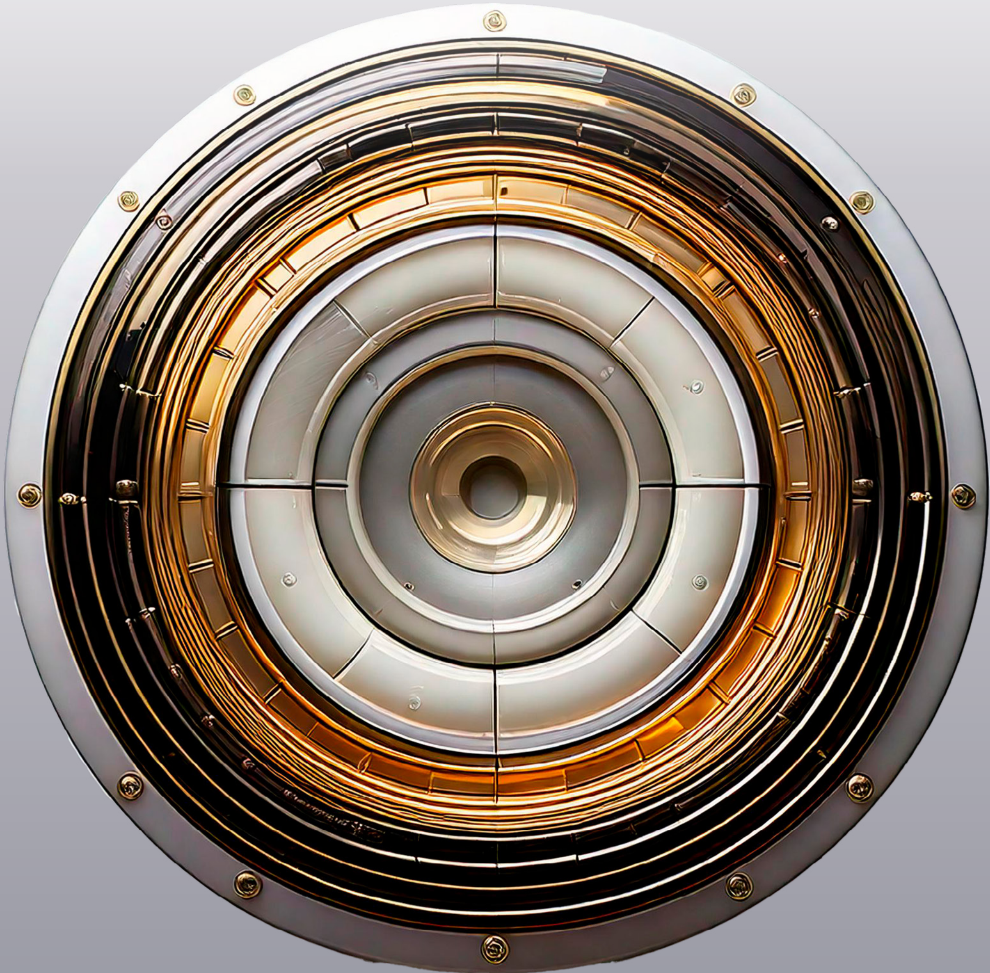

ELTIF 2.0
New era for Asset Managers to embrace opportunities for long-term investments

2 February 2025

ELTIF 2.0 | New era for Asset Managers to embrace opportunities for long-term investments

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Foreword

Each year, the Luxembourg financial center reasserts its leading position in the global financial market. Luxembourg's reputation as a pioneering investment fund domicile, built on quality client service, expertise, innovation and know-how, makes it a highly desirable jurisdiction for ELTIFs in Europe.

The growth in appetite for alternative investments among private individuals and their wealth managers over the past few years has outpaced that of institutional investors in relative numbers. Specifically, between 2018 and 2021, private clients and family offices boosted their share in global private equity fund raising by over 5%. Even in the face of 2022's economic uncertainties, and a dip in their share of the total private equity fundraising volume, these investors still poured in around €22 billion, matching the previous year's figures as per Invest Europe data.

High-net-worth individuals (HNWIs) are increasingly pursuing investments that offer long-term capital appreciation, preservation of capital for generations to come, and positive impacts on social and environmental issues. As such we have seen a rise in open-ended alternative investment funds (AIFs) to meet these needs. There has been a noticeable uptick in the launch of regulated funds in the form of European long-term investment funds (ELTIFs) and/or Luxembourg based undertakings for collective investment (UCI) Part II funds over the last few years.

Also playing a significant role is the revised ELTIF regime, commonly referred to as ELTIF 2.0, which aims to address some regulatory challenges, as these funds are subject to higher regulatory scrutiny to protect non-institutional investors. Open-ended funds, just like traditional funds, are also subject to supervision from AIFMs; however they necessitate stricter compliance and oversight. ELTIF offers a regulatory framework (EU distribution passport) which increases retail investors' access to private capital funds.

In this brochure, we have outlined the main changes and consequences for fund managers launching these products. At Deloitte, we understand your challenges and opportunities with ELTIF 2.0. Our team of experts is able to assist you through the fund lifecycle to make an impact where it matters. We hope you enjoy the read.

Arnaud Bon
Partner
Alternative Investments Advisory & Consulting Leader
abon@deloitte.lu
+352 621 652 982

Nick Tabone
Partner
Private Equity Leader
ntabone@deloitte.lu
+352 45145 2264

ELTIF 2.0, a new era for asset managers: embracing opportunities and tackling challenges

The revised European Long-Term Investment Fund (ELTIF 2.0) Regulation, which has been in force since 10 January 2024, overhauls the regulatory framework for long-term investments and broadens private investors' access to alternative investments. It ushers in an era of more flexible open-ended fund structures, transforming the asset management landscape and requiring managers to adapt their strategies and operations.

On 19 July 2024, the European Commission published a draft Delegated Regulation regarding the ELTIF 2.0's regulatory technical standards (RTS). The co-legislator confirmed that the text could be published in the Official Journal of the EU, allowing the RTS to enter into force in the last quarter of 2024. The RTS clarifies important aspects, such as redemption conditions, liquidity management and marketing practices.

Luxembourg plays a prominent role in the development of investment vehicles tailored to non-professional and retail investors. Over the last decade, we have seen a resurgence of private wealth capital and non-professional investor flows into alternative investment funds and products. Compared to traditional alternative products, these are often structured as open-ended vehicles with liquidity events that appeal to this investor base.

While the first ELTIF Regulation in 2015 was underwhelming regarding product launches and gross investor flows, ELTIF 2.0 addresses some of the previous regulation's inherent challenges, piquing the interest of managers and investors alike. Luxembourg continues to be the leading European domicile in the number of ELTIFs launched (Figures 1 and 2).

Figure 1: ELTIF funds launched in the EU between 2019 and 2024, per year and per country[1]

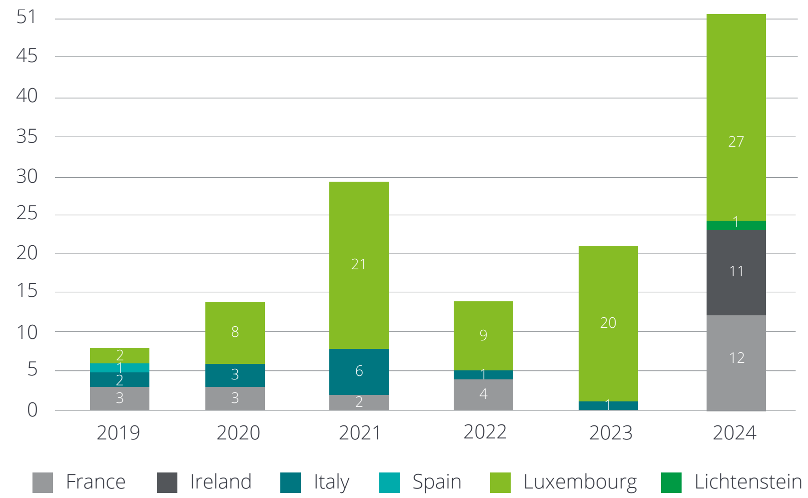
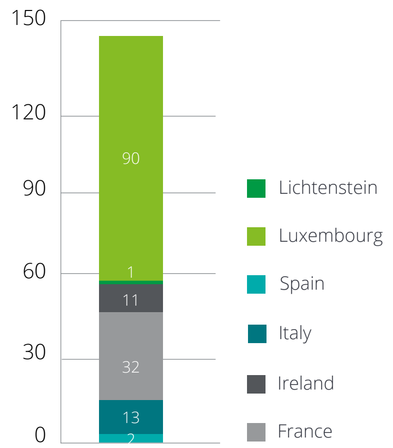


Figure 2: Total ELTIF funds launched, per country[1]



This brochure summarizes the essential changes brought by ELTIF 2.0 and its RTS and explains how asset managers can leverage this new regime to access underserved markets and stay ahead of the curve.

[1] Data extracted as of 29 November 2024 from ESMA register

1. Key changes in ELTIF: What's new?

ELTIF 2.0 introduces several enhancements to encourage long-term investment in real economy assets. ELTIFs qualify as AIFs under the Alternative Investment Fund Managers Directive (AIFMD) and require the appointment of an authorized AIFM.

Both the product (ELTIF) and the manager (AIFM) are regulated by their jurisdiction's relevant competent authorities, such as the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg and must comply with all applicable and relevant European and local rules. This oversight ensures that all ELTIF structure wwhether standalone, hybrid or organized as sub-funds within broader structures, fully adhere to regulatory requirements.

One of ELTIFs' major draws, particularly in the revised framework, is their ability to offer cross-border investment opportunities within the European Economic Area (EEA). The EU marketing passport provides AIFMs with a streamlined mechanism to access a wide range of investors across the continent, without the additional burden of national approvals.

01. Investor eligibility

ELTIF 2.0's updated investor eligibility rules to cater to both professional and retail investors.
The lack of specific restrictions for general ELTIFs makes these investment vehicles broadly accessible. Both professional investors like institutional buyers and retail investors can participate, creating new opportunities to invest in long-term alternative assets such as infrastructure, real estate and private equity.

Similarly, ELTIFs structured as (UCI) Part II or other structures apart from reserved alternative investment funds (RAIFs) specialized investment funds (SIFs) or investment companies in risk capital (SICAR) follow the same open accessibility model. There are no specific restrictions regarding the investor types, ensuring a wide appeal to both professional and retail investors. ELTIF 2.0 allows greater participation from retail investors with the removal of minimum investment requirements of €10,000 and 10% limit on aggregate investment.

In contrast, ELTIFs structured as (RAIFs), (SIFs) or (SICARs) are restricted to well-informed investors. This category includes institutional and professional investors, but also extends to other investors who meet the criteria of well-informed investors.

02. Distribution channels

The ELTIF 2.0's EU passport simplifies cross-border marketing, enabling fund managers to promote their investment products across multiple EU Member States to both professional and retail investors. The managers of ELTIFs are permitted to engage in pre-marketing of an ELTIF to professional investors only in the EEA. Pre-marketing is subject to a notification procedure.

ELTIF 2.0 has removed the requirement that managers of ELTIFs need to set up a local presence in each Member State where they intend to market ELTIFs. The new regime also introduces flexibility by allowing managers to appoint or delegate distribution responsibilities to third-party intermediaries. As a result, managers can tap into established distribution networks and professional

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channels, ensuring broader market reach while reducing the operational challenges of direct distribution efforts.

03. Marketing to retail investors: Additional conditions

The ELTIF 2.0 framework imposes additional safeguards to ensure retail investors are appropriately protected.
Fund managers must conduct a suitability assessment under the Markets in Financial Instruments Directive (MiFID II) framework, including the investor's experience, financial situation and investment objectives. Based on this evaluation, a suitability statement is issued. If the suitability assessment results in a negative recommendation, the investor can still choose to proceed, but only after providing explicit consent. When directly offering or placing units or shares of an ELTIF to a retail investor, ELTIF managers are subject to record-keeping rules under MiFID II.

ELTIF managers must deliver a paper copy of the prospectus and annual report upon request and free of charge. If a feeder ELTIF is concerned, the manager must also include a statement of the aggregate charges of the feeder and the master ELTIF in the annual report.

Additionally, ELTIF managers must issue a clear written alert to prospective investors:

- If the fund term exceeds 10 years, stating that the product may not be fit for retail investors that cannot sustain such a long-term illiquid commitment; and

- If the ELTIF's rules or instrument provide for the possibility of matching units or shares, disclosing that this possibility does not guarantee the retail investor to exit or redeem these units or shares.

ELTIFs marketed to retail investors are also subject to more stringent depositary requirements. These depositaries must be authorized entities, typically credit institutions, with additional restrictions on their activities. For example, depositaries are prohibited from discharging liability in case of asset loss and cannot reuse the assets they hold.

Finally, these ELTIFs must also comply with the Packaged Retail and Insurance-based Products (PRIIPs) Regulation, meaning they must provide key information documents (KIDs) to ensure full transparency.

04. "Evergreen" structures

The ELTIF 2.0 framework is driving interest in "evergreen" funds, which are open-ended structures allowing constant investor inflows and outflows. These funds offer periodic liquidity windows, reduced minimum investment thresholds and broader accessibility, making them attractive to private investors seeking flexibility, stability and diversified opportunities.

A key feature of evergreen funds is the reinvestment of distributions, which generates perpetual liquidity and provides fund managers with a sustainable capital base for portfolio diversification. However, this flexibility brings operational challenges, particularly in managing liquidity needs driven by redemption requests. The complexity of subscription and redemption processes, combined with the rising volume of investors—often through intermediaries offering indirect exposure to retail investors—adds layers of intricacy to investor and liquidity management.Additionally, reputational risks emerge as managers must balance meeting redemption obligations with fund performance, requiring robust liquidity management strategies. Evergreen structures demand sophisticated operational and risk management tools to address these dynamics effectively while maintaining their appeal.

Despite these challenges, evergreen funds under ELTIF 2.0 represent a compelling opportunity for democratizing investment access, offering long-term flexibility and scalability for both investors and managers willing to navigate the associated complexities.

05. Matching of shares and units to create a secondary market

ELTIF 2.0 enhances liquidity options for investors by facilitating the partial or full matching of existing investors' shares with those of new investors to create a secondary market. This matching process can be listed on secondary markets or platforms, allowing investors to freely transfer shares, units or interests. These transfers are subject to the fund prospectus' conditions and applicable regulatory requirements.

The possibility of matching is a significant benefit, as it provides buyers and sellers with the flexibility to trade outside of subscription and redemption windows for open-ended funds and potential early liquidity options for closed-ended funds.
This feature creates the potential for continuous liquidity, as well as the associated risks

In addition to this transferability, ELTIFs can also enable partial or full matching of transfer requests between existing and prospective investors. This process is governed by the AIFM's policies, which include details on timing, pricing and applicable fees. Furthermore, as the ELTIF matching mechanism is not considered a "multilateral system" ELTIF managers or administrators are exempted from obtaining a license for a regulated market or multilateral trading facility for the sole purposes of matching, therefore simplifying the mechanism.

06. Eligible and restricted assets

ELTIF 2.0 refines the framework for what constitutes eligible assets, designed to direct capital into long-term investments that stimulate growth in the real economy. With a focus on promoting sustainable development, infrastructure and other long-term sectors, the new regime broadens the range of opportunities available to fund managers and investors, while maintaining a robust regulatory framework to protect all parties involved.

Under the revised regime, fund managers are encouraged to allocate a significant portion of their portfolio to alternative investments with the potential to generate stable, long-term returns. These investments include equity and debt instruments from qualifying businesses, loans, and real economy assets that align with the EU's vision for growth and sustainability.
Notably, ELTIF 2.0 also includes provisions for environmentally sustainable projects, positioning ELTIFs as a key vehicle in financing Europe's green
transition.

ELTIF 2.0's flexibility extends to the types of assets that can be acquired, allowing for investments in tangible and intangible assets like infrastructure, intellectual property and energy projects. This expanded scope gives asset managers more options to diversify their portfolios and target critical sectors for long-term economic development.

Despite the broad range of eligible assets, the regulation imposes clear restrictions to ensure the fund's stability. Certain high-risk activities remain prohibited, including short-selling and excessive leverage. These safeguards are designed to protect both investors and the broader market, ensuring ELTIFs remain focused on their core mission of fostering long-term growth.
Ultimately, ELTIF 2.0's asset eligibility criteria reflect the EU's broader economic goals by directing private capital into strategic, long-term investments while maintaining robust risk management practices.

2. ELTIF 2.0 RTS

While ELTIF 2.0 has applied since January 2024, several key issues (such as liquidity management tools, liquid assets threshold, etc.) tied to its RTS have been actively discussed and contested throughout the year. The final RTS adopted by the European Commission include the flexibility of redemption terms across different share classes, ensuring investors' fair treatment, and addressing the operational challenges associated with the new regime's liquidity management and compliance.

The RTS, which are crucial for clarifying specific provisions of the new ELTIF regime, will play a pivotal role in shaping the practical application of these rules.

01. Redemptions for open-ended ELTIFs

Under ELTIF 2.0, open-ended ELTIFs are required to implement clear redemption policies. Given the long-term nature of these investments, redemptions are capped at each redemption date based on the available UCITS-eligible assets and projected cash flows over a 12-month period.

Two different methods are available to calculate the maximum redemption percentage: one linked to redemption frequency and notice periods, and another that considers the proportion of liquid assets. These measures ensure that redemptions do not compromise the fund's long-term strategy.

1.1 First method
Option 1 – baseline option

Notice period / redemption frequency	No notice period	Two-week notice period	One-month notice period	Three-month notice period	Six-month notice period	Nine-month notice period	12- month notice period
12 months	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Six months	50.00%	52.20%	54.50%	66.70%	100.00%	100.00%	100.00%
Three months	25.00%	26.10%	27.30%	33.30%	50.00%	100.00%	100.00%
Two months	16.70%	17.40%	18.20%	22.20%	33.30%	66.70%	100.00%
One month	8.30%	8.70%	9.10%	11.10%	16.70%	33.30%	100.00%
Bi-weekly	4.20%	4.30%	4.50%	5.60%	8.30%	16.70%	100.00%
Weekly	1.90%	2.00%	2.10%	2.60%	3.80%	7.70%	100.00%

Option 2 – aggregation on a one-month basis

Notice period / redemption frequency	No notice period	Two-week notice period	One-month notice period	Three-month notice period	Six-month notice period	Nine-month notice period	12-month notice period
12 months	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Six months	50.00%	52.20%	54.50%	66.70%	100.00%	100.00%	100.00%
Three months	25.00%	26.10%	27.30%	33.30%	50.00%	100.00%	100.00%
Two months	16.70%	17.40%	18.20%	22.20%	33.30%	66.70%	100.00%
One month, or more frequently than one month	On an aggregate basis, during the period of one month: 8.3%	On an aggregate basis, during the period of one month: 8.7%	On an aggregate basis, during the period of one month: 9.1%	On an aggregate basis, during the period of one month: 11.1%	On an aggregate basis, during the period of one month: 16.7%	On an aggregate basis, during the period of one month: 33.3%	On an aggregate basis, during the period of one month: 100%

Option 3 – aggregation on a two-month basis

Notice period/ redemption frequency	No notice period	Two-week notice period	One-month notice period	Three-month notice period	Six-month notice period	Nine-month notice period	12-month notice period
12 months	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Six months	50.00%	52.20%	54.50%	66.70%	100.00%	100.00%	100.00%
Three months	25.00%	26.10%	27.30%	33.30%	50.00%	100.00%	100.00%
Two months or more frequently than two months	On an aggregate basis, during the period of two months: 16.7%	On an aggregate basis, during the period of two months: 17.4%	On an aggregate basis, during the period of two months: 18.2%	On an aggregate basis, during the period of two months: 22.2%	On an aggregate basis, during the period of two months: 33.3%	On an aggregate basis, during the period of two months: 66.7%	On an aggregate basis, during the period of two months: 100%

1.2 Second method

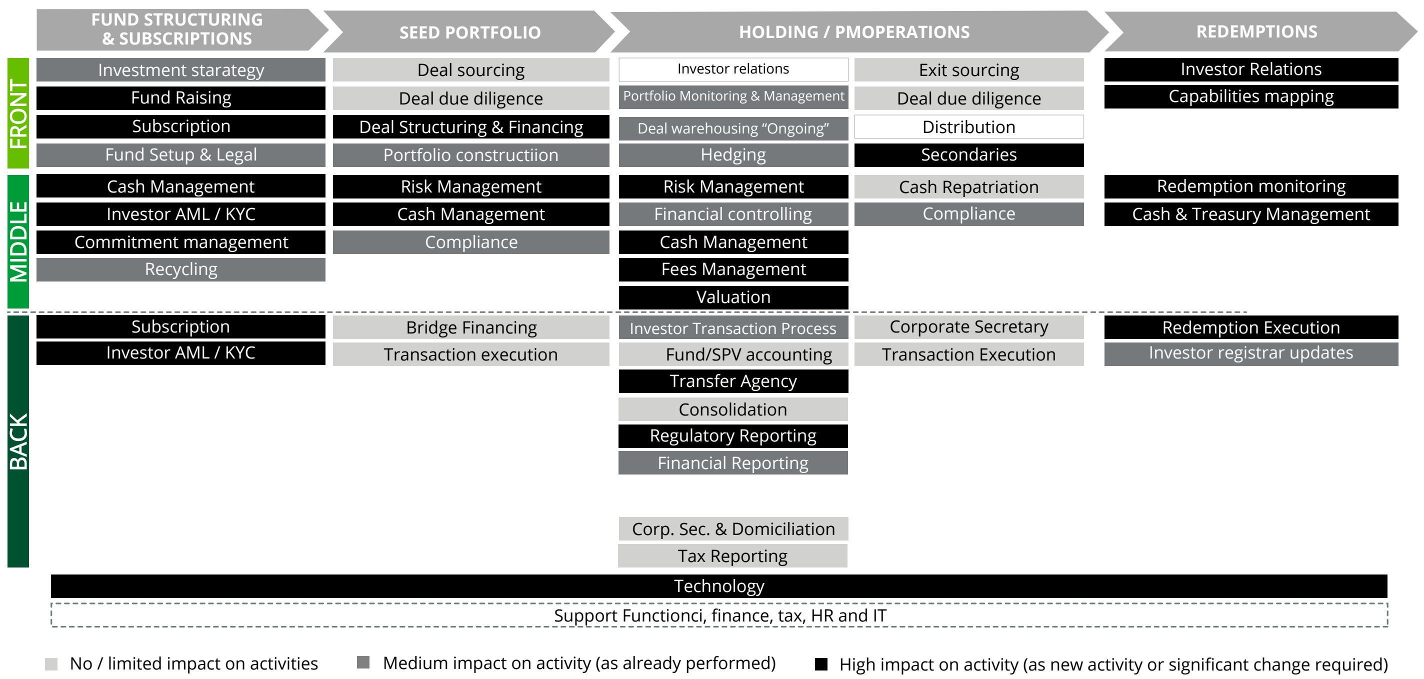
Redemption frequency	Minimum percentage of assets (UCITS eligible assets)	Maximum percentage of assets (UCITS eligible assets)
12 months, and less frequently	10%	100%
Six months	15%	67%
Three months	20%	50%
One month or more frequently	25%	20%, applied on a monthly aggregate basis

3. How are asset managers affected?

The introduction of ELTIF 2.0 marks a significant shift in the European investment landscape, particularly for asset managers. As the regulation allows for open-ended structures and broadens access to retail and semi-professional investors, asset managers must adapt to a new operational paradigm.

Transitioning from closed-ended funds to a more flexible, open-ended framework introduces a series of challenges that impact core functions across the fund operation value chain (Figure 3).

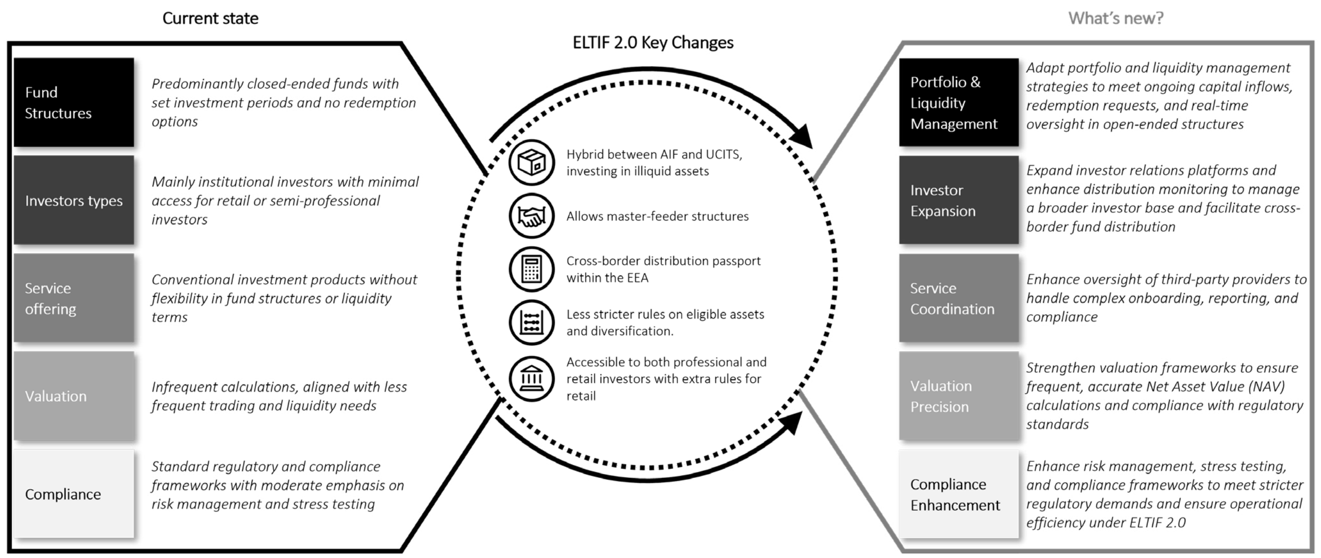
Figure 3: ELTIF 2.0's level of impact on the fund operation value chain



ELTIF 2.0's sweeping changes are reshaping the asset management landscape, redefining key aspects like fund structures, investor accessibility and regulatory obligations. Consequently, asset managers are required to adjust their strategies and operations to align with the new framework.

Understanding how ELTIFs have evolved under these amended regulations is essential for firms that wish to tackle the opportunities and challenges of this new long-term investing era (Figure 4).

Figure 4: ELTIF 2.0's key changes and impacts



4. How can Deloitte help you?

Under ELTIF 2.0, asset managers face an evolving regulatory environment and complex operational challenges. From product strategy to operational setup and distribution, Deloitte offers comprehensive support to ensure asset managers can successfully tackle these changes.

01. Strategic product development and competitive positioning

In a market increasingly shaped by open-ended structures and expanded access to retail investors, a clear and competitive product strategy is essential. Deloitte assists asset managers in developing tailored solutions that align with the ELTIF 2.0 framework, ensuring products are both competitive and compliant with regulatory standards.

- **Product universe and strategy definition:** Deloitte works closely with you to define your ELTIF's investment strategy, asset class focus and liquidity features. This includes identifying potential seed portfolios and outlining a clear vision for the product's long-term objectives.
- **Market and competitive analysis:** our comprehensive analysis identifies existing competition, the appetite of target limited partners (LPs), and key differentiators to help you position your fund effectively. We map the competitive landscape, highlight opportunities, and identify potential investor bases.
- **Pricing models and features:** Deloitte helps define your fund's optimal pricing model, ensuring it aligns with your product's liquidity features, distribution channels and target investors. We assist in structuring the fund to appeal to both retail and institutional investors while maintaining operational flexibility.

02. Quantitative portfolio and liquidity modeling

- **Portfolio and liquidity modeling**: our quantitative risk and valuation specialists work closely with your portfolio and risk management teams and your investor relations/private wealth channel leadsto help create the right portfolio. The fit-for-purpose liquidity model is tailored to the fund's features, underlying investment strategy, redemptions and yield generation, cash deployment, overcommitment strategy, etc.
- **Deal warehousing, investor conversions and secondaries:** Deloitte can help you build the operational playbook regarding portfolio management techniques around deal warehousing, investor conversions and secondaries for both initial and ongoing portfolio construction techniques.

03. Operating model assessment and adaptation

ELTIF 2.0's shift to more flexible fund structures requires a rethinking of traditional approaches. Deloitte ensures your fund's operating model is equipped to handle the regulatory and operational demands of this new environment.

- **Operating model design:** we evaluate your current operations, assessing areas like governance, liquidity management and regulatory compliance. This includes creating a target operating model (TOM) that addresses fund governance, internal processes and the integration of service providers to ensure smooth fund management.
- **Regulatory compliance and governance:** Deloitte helps you align with ELTIF 2.0's regulatory framework, ensuring your fund

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complies with AIFMD, local regulations and ELTIF-specific rules. We establish strong governance frameworks and compliance structures, tailored to the unique demands of open-ended fund formats.

- **Liquidity management:** in open-ended structures, liquidity management is critical. Deloitte provides expertise in building robust liquidity frameworks, ensuring regular liquidity stress testing, forecasting and the ability to meet redemption demands without compromising long-term strategies.

04. Operationalization and service provider coordination

Effective operationalization is crucial to successfully transition to the ELTIF 2.0 regime. Deloitte offers end-to-end support in selecting and onboarding service providers, ensuring operational alignment and efficiency.

- **Service provider selection:** we guide you through the selection process for key third-party providers, such as fund administrators, custodians and transfer agents. Our proven risk-based approach ensures you partner with providers who meet your specific operational and regulatory needs.
- **Onboarding and integration:** Deloitte oversees the onboarding of your service providers, ensuring that systems, reporting frameworks and operational procedures align with your fund's goals. We work closely with providers to ensure that investor onboarding, subscription processes and redemption handling meet ELTIF 2.0 requirements.
- **Operational setup:** from implementing liquidity management frameworks to establishing monitoring and oversight processes, Deloitte ensures your fund operates efficiently and compliantly. We assist in implementing distribution models, fund governance and investor reporting systems that meet ELTIFs' complex demands.

05. Distribution and marketing oversight

Deloitte helps asset managers expand their distribution networks while ensuring compliance with EU and local regulations.

- **Distribution strategy and agreements:** we help design and implement a distribution strategy that leverages key partnerships with wealth managers, financial advisors and fund platforms. Deloitte also provides support with onboarding distributors, managing due diligence and ensuring that all distribution agreements meet regulatory standards.
- **Marketing compliance:** Deloitte ensures all marketing materials comply with jurisdiction-specific requirements across the EEA. We help establish effective monitoring systems to oversee distributor performance, manage investor queries and handle complaints in a compliant manner.
- **Cross-border marketing and passporting:** with ELTIF 2.0 enabling wider access to retail investors across the EU, Deloitte helps you take advantage of the EU marketing passport to expand your fund's reach. We assist in navigating local regulatory requirements while ensuring smooth, compliant cross-border distribution.

06. Valuation processes enhancement

Open-ended ELTIF structures call for more frequent and accurate fund valuations. Deloitte offers comprehensive support to ensure your valuation processes are robust, compliant and capable of handling the complexities of dynamic market environments.

- **NAV calculation and valuation governance:** we help implement enhanced valuation governance frameworks, ensuring the accuracy and timeliness of net asset value (NAV) calculations. Deloitte also ensures your processes reflect real-time market conditions and regulatory requirements.
- **Pricing strategy and transparency:** Deloitte works with you to ensure your pricing strategy is fair, transparent and aligned with both new and existing investor expectations. We help mitigate the risks of NAV errors through rigorous control frameworks, minimizing the potential for regulatory breaches.

07. Risk management and compliance strengthening

ELTIF 2.0 introduces new regulatory compliance challenges, particularly around liquidity management and investor protection. Deloitte helps asset managers strengthen their compliance frameworks to meet the increased demands of this new regulatory landscape.

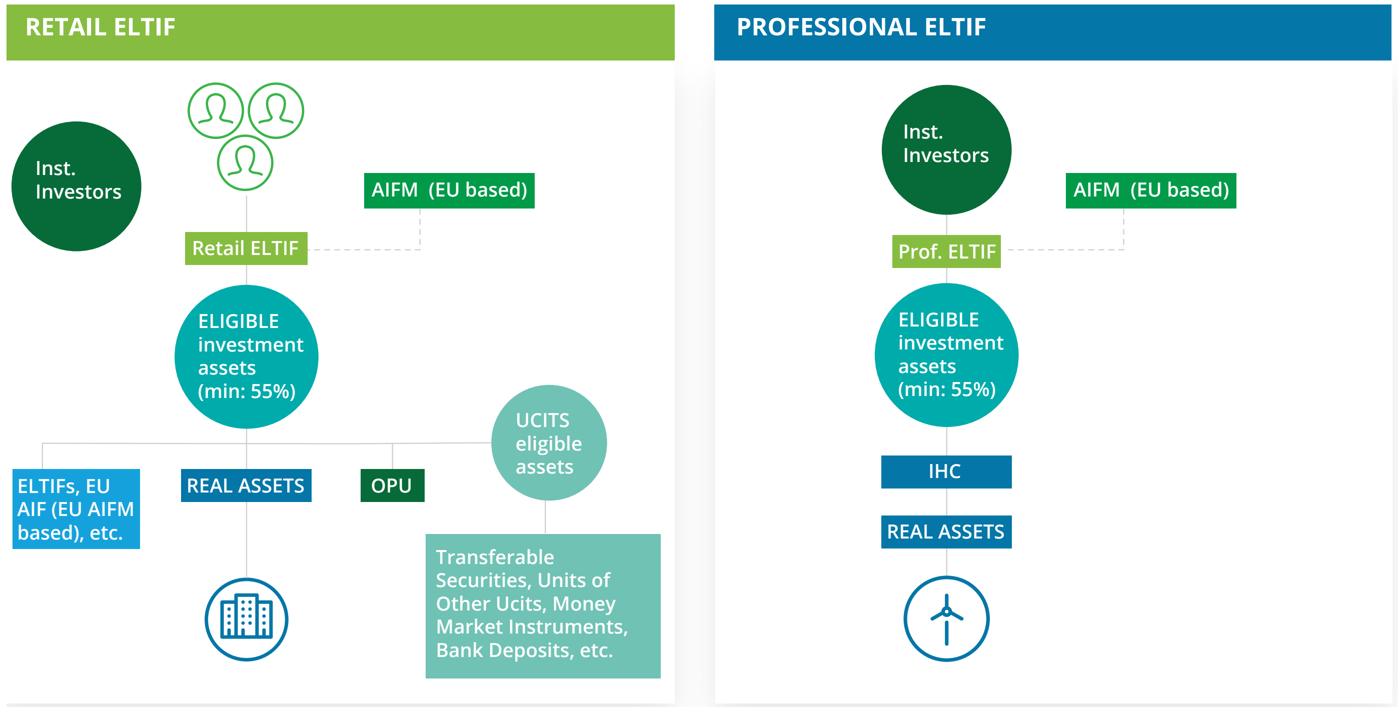
- **Risk management and stress testing:** Deloitte assists in developing comprehensive risk management frameworks that include regular liquidity stress testing, best execution policies and conflict-of-interest controls. Our team ensures your risk management policies are aligned with both ELTIF and AIFMD requirements, protecting investor interests and maintaining fund stability.
- **Compliance monitoring and reporting:** we help establish robust compliance monitoring programs that meet both EU and local regulatory requirements. This includes regular reporting to regulatory bodies that ensures transparency and maintains investor trust.

08. Tax assistance with fund structuring, holding and exiting

ELTIF 2.0 is silent on the tax treatment that applies to ELTIF funds, leaving the taxation rules to the ELTIF fund's country of establishment. The lack of harmonized tax rules allows Member States to offer potential tax incentives at the fund or the investor levels. Deloitte helps asset managers to holistically understand the tax implications before setting up ELTIFs-up.

- **Investor and fund tax considerations:** Deloitte assists fund managers with the tax treatment and preference for a distributing fund versus an accumulating fund, timing of taxation, tax implications and related tax reporting, including at the level of any potential feeder structures.
- **Withholding tax (WHT):** Deloitte helps fund managers understand the impact of WHT on interest and dividends, including tax reclaim opportunities, capital gains tax upon disposal of the portfolio, municipal business tax (MBT) implications at the underlying structure level, real-estate transfer tax (RETT) / stamp duty, and VAT impacts.
- **Choice of the legal form:** Deloitte advises on the advantages and disadvantages of a tax transparent structure versus a corporate fund structure.
- **Fund manager tax considerations:** Deloitte advises fund managers on the tax implications at fund launch regarding the management fees, carried interest, and other needs of the sponsor/fund manager.

Figure 5: Choice of ELTIF fund



By taking Figure 5's operational, tax and commercial considerations into account, fund managers can choose the right legal form and fund regime for their ELTIF fund, which could be set up either as a retail ELTIF or professional ELTIF with the relevant fund features (e.g., open-ended or closed-ended) under ELTIF 2.0. While professional investors may invest in both retail and professional ELTIFs, retail investors are limited to retail ELTIFs only.

Deloitte has extensive experience in assisting asset managers with regulatory transitions, tax structuring and compliance, operational overhauls and fund launches.

Contact us to discover how Deloitte can support your ELTIF 2.0 journey.

Key contacts:

Advisory & Consulting:

Arnaud Bon
Partner | Consulting Alternatives Leader
abon@deloitte.lu
+352 621 652 982

Xavier Zaegel, FRM
Partner I Investment Management Leader
xzaegel@deloitte.lu
+352 621 36 46 28

Prasanta Mandal
Director I Advisory & Consulting
pmandal@deloitte.lu
+352 45145 2208

Tax:

Dany Teillant
Partner | M&A Tax Leader
dtelliant@deloitte.lu
+352 45145 2246

Sophie Vanesse
Partner | M&A, Private Equality Tax Leader
svanesse@deloitte.lu
+352 45145 2204

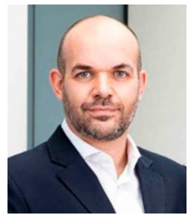
Yves Knel
Partner I M&A – Real Estate
yknel@deloitte.lu
+352 45145 2260

Audit & Assurance:

Nick Tabone
Partner | Private Equity Leader
ntabone@deloitte.lu
+352 45145 2264

Lize Griffiths
Partner I Financial Services Industry Leader
lizgriffiths@deloitte.lu
+352 45145 2693

Nicolas Hennebert
Partner | Audit Investment Management Leader
nhennebert@deloitte.lu
+352 45145 4911



Massimo Simioni
Partner | Audit Alternatives
masimioni@deloitte.lu
+352 6215 68745

Appendix:

Comparative table between ELTIF 1.0 and ELTIF 2.0

Aspect	ELTIF 1.0	ELTIF 2.0
Eligible assets	Limited to unlisted companies and real assets	Includes: • Listed companies (market cap ≤ €1.5 billion) • Simple, transparent and standardized (STS) securitizations • Green bonds
Qualifying undertakings	Excluded large, listed companies (market cap > €500 million)	Permits investments in listed companies with market cap ≤ €1.5 billion
Diversification rules	• Required 70% of eligible assets • Imposed strict rules for all ELTIFs	• Eligible asset threshold reduced to 55% • No diversification requirements for professional only ELTIFs
Leverage / cash borrowing	Borrowing limit of 30% of NAV for all ELTIFs	• Retail ELTIFs: 50% • Professional-only ELTIFs: 100%
Investment restrictions	Prohibited short selling, commodity exposure and excessive securities lending	• Maintains similar rules as ELTIF 1.0 • Allows limited use of financial techniques (≤ 10% of assets)
Redemption and liquidity	Typically closed-ended with limited early redemption	• Allows matching of transfer requests • Supports open-ended ELTIFs under specific conditions
Marketing to retail investors	Stringent requirements resulting in limited uptake	• Simplified rules • Broader retail access with enhanced investor protection
Fund structures	Limited flexibility in fund structuring options	Introduces master-feeder structures and fund-of-funds strategies, enhancing structural flexibility
Conflict of interest rules	Strict rules limiting co-investments and potential conflicts of interest	Allows co-investments with appropriate conflict management, providing more flexibility
Liquidity management	Limited provisions for liquidity management tools and redemption policies	Introduces structured redemption policies and liquidity management tools, enhancing investor protection
Retail investor requirements	Stringent suitability assessments and local facility requirements for retail investors	• Aligns suitability tests with MiFID II • Removes local facility requirement, easing retail access