PRIVATE EQUITY

INSIGHT/OUT

Cinven

Investing in Europe's Future

LuxSE: Fund Listing Past, Present and Future

The Role of AI in ESG Integration Across Private Markets

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CAREER CHANGES

As our Chair, Claus Mansfeldt, concludes his mandate, the LPEA team, Executive Committee, and Board express their deep gratitude for his commitment since 2019.
We all appreciate his strong engagement, creativity, and innovative leadership as Chairman of the LPEA. Claus' precise and steady guidance has inspired us all — from strategic meetings in Luxembourg to representing the LPEA abroad at international conferences.
It has been a true honour and pleasure to work alongside him, and we are confident that new opportunities will arise for us to collaborate again in the future.
We wish you all the best, Claus, and look forward to seeing you again very soon.

Dear members, friends and partners,

The LPEA representative events abroad did not decelerate during the Q2 period with an epic roadshow in Lisbon (more details shared during the AGM), a new trip to Amsterdam, a packed session in London and an additional halt in Brussels which will be organized early July. The SuperReturn conference, as impressive as usual, allowed us to hear the latest trends from the worldwide leaders of our industry and to organize with our partners from ALFI a networking cocktail at the Luxembourg embassy in Berlin. The close relationship with our diplomatic network has been strongly intensified over the last years and has led to a very constructive cooperation, almost a "tradition", which has been firmly anchored in our logistics and internal processes.

2025 is another important vintage for the LPEA since we have successfully celebrated our 15th anniversary together with our growing ecosystem, engaged members and since it will lead to promising and interesting updates of our functioning. Indeed our instrumental AGM will hopefully validate some light changes of our articles of association, the proposed new LPEA membership pricing, which will be applicable for the years to come (from 2026 on) and which should allow us to further grow, expand our services, our value and again raise the bar for you. In this context, we hope that you will join and support us in order to start and write together another successful chapter of our history. Our 2025-2030 strategy, which has been designed by some of our closest contributors, will also give us better and clearer processes (Governance) allowing us to further accelerate our conversion and reach new heights. This transformation goes hand in hand with the promising upgrade of our local hub, which could be quite different in a few years if we are able to collectively attract, deliver and close more transactions in and out of Luxembourg (i.e. fundraising, investments and exits). The best is yet to come if we have the will and ambition to reinvent ourselves and to embrace such a bright future.

In the meantime, we wish you some great summer holidays, lots of sun, positive energy and as usual do not forget to recharge your batteries for new adventures in September.

Stephane Pesch
CEO, LPEA

Claus Mansfeldt
Chairman, LPEA

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LPEA 15

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LPEA Renews Partnership with PULSE to Strengthen Startup Ecosystem

LPEA has renewed its partnership with PULSE, formerly known as Startup.lu, reaffirming its commitment to bridging the gap between the PE/VC sector and the real economy. This continued support highlights PULSE's role in fostering a thriving startup environment in Luxembourg. As the country's only founder-driven startup association, PULSE actively advocates for legislative reforms that benefit startups and drive innovation. LPEA's partnership underlines the importance of connecting investment with entrepreneurial growth and reflects a shared vision for a more dynamic and startup-friendly ecosystem. Together, LPEA and PULSE are working to ensure Luxembourg remains a competitive and attractive hub for emerging businesses.

In addition to the renewed sponsorship, LPEA is also collaborating with PULSE on a new edition of the Luxembourg Venture Capital Guide. This publication shines a light on Luxembourg-based VCs and serves as a valuable resource for startups looking to navigate the ecosystem and identify the most suitable investors.

LPEA Insights Conference: Navigating the Pathway to Competitiveness

The LPEA Insights Conference will be held as a full-day event at Luxexpo The Box, on 23 October. Under the theme "Pathway to Competitiveness," this flagship event will address the pressing need for excellence in Private Markets amid global shifts and economic challenges.

With dedicated stages focusing on buyout, venture, debt, and infrastructure, the conference is designed to equip LPs and GPs with strategic insights and actionable guidance. Join leading industry voices for a day of thought leadership, networking, and best-practice sharing—shaped by Luxembourg's growing role in the global private capital landscape.

Luxembourg's leading Private Equity and Venture Capital conference will welcome more than 900 professionals and will take place during the Luxembourg Venture Days. The Luxembourg Venture Days, initiated in 2023, is a partnership between LPEA and LuxInnovation. This event brings together LPEA's Insights conference audience and LuxInnovation's Fit4Start candidates, creating a successful melting pot of investors and entrepreneurs under one roof.

LPEA PE Tech Day - Showcasing Cutting-Edge Innovation in Private Equity

On May 7, the LPEA PE Tech Day 2025, hosted by Deloitte in Luxembourg, welcomed over 200 GPs, LPs, asset servicers, and tech innovators to explore the digital future of Private Equity and Venture Capital. With 35 top-tier exhibitors, the event spotlighted solutions driving efficiency, transparency, and automation across the industry.

Four engaging roundtables drew nearly 100 participants, delving into AI-driven fundraising, operations optimization, deal flow evolution, and data structuring. The exclusive AI Lab capped off a dynamic day of insights and connections.

LPEA thanks all attendees, speakers, and moderators for making the event a success.

Edmond de Rothschild Launches First ELTIF

Edmond de Rothschild has launched its first European Long-Term Investment Fund (ELTIF), Edmond de Rothschild Private Equity Solutions Sicav – Convictions IV ELTIF. Structured as a fund of PE funds, it leverages the flexibility introduced by the updated ELTIF 2.0 regulation.

Aimed at private investors from €100,000, the fund offers diversified exposure across buyout, growth capital, real assets, and emerging markets, with geographic and transactional diversification. Classified under Article 8 of the EU SFDR, it promotes sustainable and inclusive growth.

“This launch reflects our belief in committed capital as a catalyst for profound change,” said Johnny el Hachem, CEO of Edmond de Rothschild Private Equity. The Luxembourg-domiciled fund is available across seven EU countries.

Aztec Group Finalizes Strategic Partnership with Warburg Pincus

Aztec Group has completed its strategic partnership with global growth investor Warburg Pincus, following regulatory approval. The deal sees Warburg Pincus join as a minority shareholder and key client, marking a milestone in Aztec’s global expansion—particularly in the high-growth U.S. market.

With over $87 billion in assets under management, Warburg Pincus has selected Aztec as a preferred provider for global fund administration services. The agreement follows a strong 2024 for Aztec, driven by U.S. expansion, key senior hires, and a deepening presence across the transatlantic private markets corridor.

Franklin Templeton and Lexington Launch $875M PE Secondaries Fund

Franklin Templeton and Lexington Partners have launched the Franklin Lexington PE Secondaries Fund (FLEX-I) 2, a Luxembourg-domiciled private equity secondaries fund with over $875 million in assets under management. The fund, part of the Franklin Lexington Private Markets Fund SICAV SA range, has attracted global investors from APAC, EMEA, Canada, and Latin America.

Co-managed by Franklin Templeton and secondaries leader Lexington, FLEX-I 2 is the firms’ first evergreen fund targeting the international wealth channel. Now approved for distribution across the EEA, UK, Switzerland, Canada, and selected APAC and Latin American markets, the fund expands Franklin Templeton’s growing Alternatives offering.

Cinven:

Investing in Europe's Future

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Interview by **Stephane Pesch,**
CEO of LPEA

In this interview, Gautier Laurent, Managing Director and Head of Cinven's Luxembourg office, shares insights into the firm's European footprint, its resilience in the face of current market volatility, and the strategic role Luxembourg plays in its operations.

Cinven has been a Europe-focused investor for almost 50 years. What does the firm find attractive about the European market and how have you seen it evolve?

As you point out, Cinven has a long history of Private Equity investing in Europe, so we have really seen the industry evolve and mature over the years. We invest across Europe with offices in Frankfurt, London, Madrid, Milan and Paris. We have also, since 2015, had a focused presence in the US from our New York office so, while our heritage is European, we are an international PE firm.

Europe has several structural advantages that make it very attractive from an investment perspective. It is the second-largest economic region in the world, which makes intra-regional trade simpler and more streamlined than across other regions. At the same time, each country market within Europe has its own distinct characteristics. For a firm like ours, with deeply embedded country teams, this presents the opportunity to unearth prize assets, which might otherwise be missed by firms who lack local presence.

Europe is also a land of primary deals – we have a strong track record of sourcing founder-led divestments which are really exciting to work on and, with our European heritage and global presence, we are able to support founders and management teams in internationalising their businesses to break out of Europe into the US, Latin America, and beyond.

Are there any particular opportunities that Cinven sees?

The Cinven funds look to invest in mega-trends – those long-term trends in behaviour and demographics that will shape markets over decades and support structural growth throughout cycles. For example, in our consumer sector, behavioural trends include the shift towards experience over goods, an increasing focus on health and wellness, and the "pet humanisation" trend that has led to growth in the pet market. Demographic trends could include wealth polarisation, ageing populations and the eco-conscious consumer.

Carve-outs also represent a significant opportunity. Cinven funds have a long track record of investing in what are sometimes also called corporate

COVER STORY

> "At Cinven we have long appreciated the structural advantages of the European investing environment, but it is possible that the current market volatility opens others' eyes to Europe as an attractive investment region."
>
> Gautier Laurent

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orphans – businesses or divisions that lose their strategic significance because of changes in the parent company's overall goals. Current carve-out investments in the Cinven portfolio include: TK Elevator sold to a consortium including Cinven funds by thyssenkrupp; Arxada spun out of healthcare giant Lonza; environmental science specialist Envu, from pharmaceutical and biotech leader Bayer; and more recently, Master Builder Solutions from chemicals giant Sika Group. This carve-out trend is one we see continuing for the foreseeable future.

Our flagship fund focuses on large cap investment opportunities, but we also continue to see strong potential in the mid-market where there are synergies with the focus sectors of our flagship fund.

What do you think the impact of current market volatility will be on the European investment environment more broadly?

We think that Europe is in a good position to manage the current instability and perhaps even benefit from it. Europe's position as the second-largest economic region in the world with simplified intra-region trade makes it less susceptible to external shocks such as tariff hikes so, while we track macro events closely, as alpha investors we are finding that the structural micro trends we target with our investments are relatively insulated.

There is also a world in which the current market uncertainty could be advantageous to Europe. The valuation gap with the US remains high – even with falling markets – making it possible to close attractive deals in Europe. GDP growth in Europe is also expected to be less affected than in other regions, inflation seems to be in a better place and interest rates are going down.

Volatility can also trigger opportunities – where companies are divesting a division to focus on core activities and well-networked firms like ours could benefit from accessing those opportunities early. And, there are areas where Europe had historically fallen behind, for example, in digital technologies, infrastructure and defence, which the region is now coalescing around and prioritising investment. This renewed clarity of purpose and focus could well be attractive to investors who are disturbed by the unpredictability of the U.S.

So, while at Cinven we have long appreciated the structural advantages of the European investing environment, it is possible that the current market volatility will open others' eyes to Europe as an attractive investment region.

How is Cinven responding to current market volatility?

Like all firms, we are staying very close to our portfolio company management teams and offering as much support as is needed. Our portfolio is not heavily weighted towards goods imported to the U.S. so the direct impact of tariffs is minimal.

We have been through multiple cycles of market turbulence in our near-50-year history. Over the years, we have refined our value creation playbook, and, in our experience, it is even more important to lean into "excellence at the basics" during periods of dislocation. So, we are focusing on working with our management teams to create value whether that's through hiring the best talent, digitalisation, buy and build, consolidating fragmented markets, internationalisation or sustainability to drive performance. The current volatility is a reminder that we are in the business of creating value, so we are very focused on doing that.

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Cinven acquired a majority stake in the Luxembourg-born fund administrator Alter Domus last year. What were the key drivers behind that decision, and what synergies have resulted from the acquisition?

Cinven employs a matrix approach, combining sector specialists with regional experts to identify opportunities, develop strategies, leverage local relationships, and secure deals. This model was pivotal in closing the deal with Alter Domus, where the company sought not just a buyer but a business partner for reinvestment. Cinven's established local presence, coupled with a strong track record in building champions in the business and financial services sectors, and a credible plan for global growth through technology, talent, and market capabilities, were essential to the success of this transaction.

Creating world-class companies is part of Cinven's core mission and, for Luxembourg, this has an added dimension. Firms like Alter Domus serve as ambassadors for the country, acting as entry points for numerous players. Consolidating Alter Domus's position as a market leader not only strengthens the company but also enhances Luxembourg's financial ecosystem and attractiveness as a global financial hub.

How long has Cinven had a presence in Luxembourg and how has the team there developed?

Cinven has had a presence in Luxembourg since 2006, initially focusing on managing holdings for portfolio acquisitions. This role has evolved significantly, encompassing Transaction Services that address all facets of acquisitions, from tax structuring to financing implementation. More recently, the firm obtained an AIFM license, fostering the development of valuation, risk, compliance, and distribution functions. As a decentralised organisation, Cinven has seamlessly integrated Luxembourg into its global operations, allowing key functions to be executed from Luxembourg for the entire firm.

> **"Over the last decade, Luxembourg has built a robust legal framework, balancing stability with agility to continuously refine its legal landscape—a unique characteristic that underscores Luxembourg's appeal."**
>
> Gautier Laurent

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Why is Luxembourg a strategically important region for a PE firm like Cinven?

The response to this question has evolved considerably over the past two decades.

Cinven is an international Private Equity firm with strong European roots and heritage and initially established its presence in Luxembourg due to the strategic advantage the country offered in structuring acquisitions across various European jurisdictions. This facilitated the development of a replicable playbook for a considerable segment of our portfolio.

The advent of the AIFM directive, alongside the recognised expertise of the CSSF in alternative assets and the ability to passport funds throughout Europe from Luxembourg, spurred a second wave of growth for Cinven in the country.

Over the past 20 years, Luxembourg's burgeoning alternative industry has provided access to a highly qualified multilingual workforce, enabling the development of specialised business lines within the country. This includes valuation, risk and more recently, sustainability specialists.

Moreover, a particularly significant aspect for investors in illiquid assets is the stability of Luxembourg's legal environment. Over the last decade, Luxembourg has built a robust legal framework, balancing stability with agility to continuously refine its legal landscape—a unique characteristic that underscores Luxembourg's appeal. ●


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By **Christophe Bonnat,**
Head of ESG at Marguerite

The ESG Maturity Curve: An Investor's Perspective

Created in 2010 and backed by major European institutional investors, Marguerite's primarily focused on investing in the building or growth of infrastructure that mitigated climate change, which was, at the time, considered innovative, to say the least. This original DNA allowed the company to evolve into a sustainable infrastructure investor that today – 15 years later – is at the forefront of ESG practice.

The era of discovery

In 2010, ESG was the playground of passionate and visionary pioneers exploring the then-mysterious world of social and environmental impacts and mitigation practices. In the general business world, however, ESG was mainly met with scepticism. Stakeholders financing infrastructure projects were barely concerned, and regulations – such as the Environmental Impact Assessments imposing some ESG requirements on larger infrastructure projects – were primarily considered an unnecessary burden complicating engineering and construction contracts.

Marguerite started exploring the decarbonisation universe with its very first investment: an offshore wind farm in Belgium. We were among the first financial investors to enter this asset class, ready to weigh the risks and consider the benefits of such extensive and renewable energy infrastructure.

It was only with the IPCC Fifth Assessment Report, released in 2014, that a real wake-up call reached the wider public. Even if few read the 4,000-page publication, media and NGOs put it in the headlines, bringing the topic to everyone's attention. The Paris COP21 in 2015 and the Paris Agreement that followed were game-changers that triggered wide-scale sustainability policies and gave ESG its necessary tailwinds.

As public scrutiny on ESG topics gained momentum, institutional investors began requesting that fund managers define and implement ESG policies, forcing a growing number of them to examine their environmental impact. To help navigate these multifaceted concepts, new to most, initiatives aimed at providing standardised frameworks, like UN PRI, GRESB, IIGCC, CDP, GRI, SBTi, TCFD or SASB, started to flourish. Yet investors struggled to understand their concepts, underlying intentions, specific terminology and necessary data to fill lengthy tables and reports.

ESG was still seen as a burden but more and more as a necessary one; and some managers were keen to explore emerging asset classes.

Going centre-stage

The time when innovators designed their own ESG policies and metrics gradually faded and was replaced by regulation, particularly for the financial sector.

The demanding Sustainable Finance Disclosure Regulation (SFDR) in 2019, the European Taxonomy Regulation in 2020 and the Corporate Sustainability Reporting Directive (CSRD) in 2022 introduced one-size-fits-all metric lists and reporting obligations. The intent was to curb greenwashing, put all the companies on comparable ground, and push the entire market to consider ESG seriously. The intention simultaneously resulted in a long list of reporting obligations, burdensome data collection, and a growing risk of losing sight of actual ESG objectives.

Despite being cumbersome, these developments have gradually embedded ESG considerations into the standard assessment of project risks, benefits, and investment decisions. Though often poorly tailored to the specificities of different sectors, regulatory frameworks have nonetheless been a powerful catalyst, pushing companies and asset managers to adopt at least a baseline level of ESG practices. Today, ESG reveals a dual character: a "dark side" marked by burdensome data collection and reporting requirements, frequently perceived as inefficient red tape, and a "bright side" where meaningful, targeted actions drive tangible impact on material issues.

We have progressively enhanced our ESG policy and procedures, aiming to strike the right balance between responsible investment and achieving financial objectives. Our approach is rooted in a double materiality analysis:

> **"Europe must navigate a delicate path–championing the transition to a low-carbon economy through a pragmatic, results-oriented approach that realistically considers the economy's capacity to adapt."**
>
> Christophe Bonnat

assessing the impact of our investments on society and the environment, and the risks that climate change and societal shift pose to our assets. The dual perspective informs our mitigation and adaptation strategies, embedded through rigorous due diligence and proactive asset management.

This led to excluding opportunities based on newly identified risks and to measure and improve the impacts of our portfolio companies. We gradually excluded high-emission asset classes such as roads, airports, and gas networks, anticipating the general shift in priorities. Building on our initial investments in solar plants and wind farms, we expanded into new subsectors such as biomass, biomethane, energy efficiency or electric mobility, showing less ESG risks and more positive sustainable impacts.

ESG adulthood

In recent years, there has been a clear shift in the number of opportunities disclosing at least some decarbonisation targets. Projects aligned or aligning on the 2050 net zero targets are major purveyors of new investment opportunities. We believe we're entering the ESG era of maturity.

An entire ecosystem of advisors and tools is now at the disposal of companies and asset managers to support their risk analysis, performance monitoring and action plans. An ESG team has become a standard component of most organisations, bringing essential expertise and resources. And while aligning on ESG targets comes with costs, more and more investors acknowledge and accept its value.

This does not imply sacrificing financial performance for the sake of a cleaner conscience. On the contrary, we firmly believe that robust ESG risk analysis and mitigation—through selecting projects with low negative impact and strong resilience—offers long-term protection and enhancement of shareholder value. At the point of divestment, companies demonstrating solid ESG performance and effective risk management are increasingly commanding a premium. ESG is no longer a niche concern nor a virtue standing above financial returns—it has become an integral component of sound, long-term investment analysis.

This is precisely why we invest significant time to engage with portfolio companies to ensure they adopt best-in-class ESG practices, improving long-term performance. In particular, we ensure they correctly anticipate physical climate risks, both acute and chronic changes to natural events, and transition risks, including regulatory shifts, market changes, and evolving public behaviour.

In addition, Marguerite's latest fund is committed to investing only in Paris-aligned projects and companies on a path to net zero in 2050. Initial investments under Marguerite III span positive impact sectors such as solar PV, EV charging, energy efficiency or electric locomotives.

Due to our long-standing focus on sustainability since inception, Marguerite's investments contributed to reducing GHG emissions, decarbonising the economy and providing essential services to the public, for example, through the development of over 1.3GW of renewable energy production capacity, installation of more than 1 million low-energy lighting points, the construction and operation of 38,000 EV charging points or the connection of 1.8 million FTTH clients.

Looking ahead

Several improvements remain necessary: an enhanced consideration of biodiversity, including complex impact measurement and mitigation actions; stronger efforts to reduce all forms of pollution; a clearer focus on meaningful metrics and high-impact actions over generic KPI lists; better anticipation of how climate change will affect asset valuations; and a more comprehensive view of the entire value chain, including multiple layers of indirect suppliers, to name a few.

At the same time, long-term sustainability objectives are increasingly challenged by geopolitical tensions and growing economic competition. ESG regulations and incentives are often criticised for hindering economic growth, as evidenced by the backlash following the US presidential elections. Europe must navigate a delicate path–championing the transition to a low-carbon economy through a pragmatic, results-oriented approach that realistically considers the economy's capacity to adapt.

Marguerite considers that fighting climate change, protecting the environment and providing the best services to the public are not optional. We continue to lead ESG integration and innovation while strengthening Europe's economy through sustainable and resilient infrastructure. ●

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By **Ronny Alf,**
Product Manager at the
Luxembourg Stock Exchange

Fund Listing: Past, Present and Future

As the second biggest fund centre in the world, Luxembourg is well known for its expertise and the benefits it offers when it comes to fund domiciliation and fund management services. What is much less known, however, is that it is also possible to list different fund types in Luxembourg, and that a listing can unlock multiple advantages for fund managers and investors alike.

With their flexible and diverse investment strategies, Alternative Investment Funds (AIFs) have gained traction over the past years as investors seek to diversify their portfolios and enhance returns. While AIFs often target institutional and professional investors with long-term investment horizons, there are clear benefits for fund managers in broadening their traditional investor base. As uncertainty affects investor confidence and drives up market volatility across financial markets, this may be an opportunity for fund managers to revisit their investor strategy and explore how a listing can help boost their fund and broaden their investor base.

An untapped potential for AIFs?

At the Luxembourg Stock Exchange (LuxSE), we have more than 60 years of experience in fund listings. We cover a broad range of funds, including UCITS, ETFs, and importantly, AIFs. Over the past 20 years alone, we have admitted a total of 24,000 fund share classes on the LuxSE. Today, 3,200 fund share classes issued under 170+ funds are listed on our markets and around 45% of these funds are AIFs. Still, I am often surprised to learn in my conversations with fund professionals that they are not aware that a listing is possible for certain funds, let alone informed about the many advantages that come with a listing.

When fund managers seek a listing for their AIFs, it is generally motivated by regulatory considerations, and to address investors' policy mandates of investing a set proportion of their assets in listed securities. But the benefits do not stop there. When a fund is listed on a stock exchange, the visibility of both the issuer and the product is enhanced. In other words, a listing helps bring the fund to the attention of a broader and more international investor community. It can ease the cross-border distribution of the fund, and it provides fiscal benefits to investors in many jurisdictions, in full compliance with legal and regulatory requirements. A fund listing can also serve to facilitate data disclosure and dissemination through digital solutions and thereby enhance investors' access to information. For centuries, stock exchanges have provided a trusted and resilient environment for issuers and investors to raise and invest capital, offering unique benefits for both parties.

I would argue that many fund managers are missing out on the advantages that a listing brings today, because there is also another important reason why a listing could bring unique advantages to AIF fund managers, and this is key for future developments – a listing could pave the way to secondary market liquidity.

Launch of EM3S

Some managers of AIFs have so far not considered a listing due to the disclosure requirements that apply to listed financial instruments. To address this specific need, LuxSE developed a listing option earlier this year, which is particularly relevant for AIFs with sophisticated investment strategies. Euro MTF Specialist Securities Segment, or EM3S for short, is a new professional segment on LuxSE's Euro MTF that allows issuers to unlock the benefits of a listing while protecting their commercially sensitive information. The main features of EM3S are that limited disclosure rules apply in the listing process, and no documents will be published by LuxSE. To simplify the listing process even further, a prospectus is not required, and no formal approval will be given by LuxSE.

> **"We developed EM3S to address the specific needs of issuers of sophisticated financial instruments tailormade for a limited circle of professional investors, and where confidentiality around investment strategies is key to staying ahead of the curve."**
>
> Ronny Alf

We developed EM3S to address the specific needs of issuers of sophisticated financial instruments tailormade for a limited circle of professional investors, and where confidentiality around investment strategies is key to staying ahead of the curve. With EM3S, issuers of highly specialised securities can obtain a listing and admission to trading at the LuxSE while protecting their signature investment strategies as well as the structure, conditions and characteristics of their bespoke financial instruments.

Based on our first discussions with different fund managers, there is clearly a need in the market for this type of listing option. We therefore expect EM3S to attract AIF listings to Luxembourg, further strengthening its overall offering as a fund centre and the flourishing ecosystem surrounding the fund industry.

Retailisation of long-term investment

The European Commission is carrying out efforts to boost investment in long-term projects across Europe through the retail investment strategy and Savings and Investments Union, among other initiatives. AIFs are playing a vital role in advancing the European financial landscape resulting, among others, in a revival of Luxembourg Part II funds, sometimes combined with an ELTIF 2.0 wrapper. These funds, along with other AIFs, are now exploring how to unlock the new pool of capital and meet the liquidity needs of new investor groups, including retail investors, high-net-worth individuals (HNWI), and family offices. Current regulations impose the use of liquidity management tools (LMTs) for investor protection purposes, causing many AIFs to transition from closed-end structures without LMTs to evergreen semi-liquid models. Looking ahead over the next 5-10 years, there is a potential alternative for this shift, made possible by the creation of a liquid secondary market.

By listing on a stock exchange, AIFs can gain significant advantages from improved liquidity, offering investors dissatisfied with long notification periods, limited redemption gates, lockups, and restrictions on the proportion of assets available for redemption requests, the opportunity to exit through the secondary market. Collaborating with market makers to facilitate liquidity can therefore result in mutual benefits for both asset managers and investors, removing the necessity for today's conventional move to semi-liquid models with LMTs. Asset managers might prioritise effective portfolio management of illiquid assets to boost performance, while placing less emphasis on LMTs, with the likely outcome that more investors would consider long-term investment funds.

For this vision to be realised, it is crucial for policy makers to recognise secondary markets as an efficient means for investors to exit their investments. Achieving this requires a collaborative effort among all stakeholders. AIF managers need to engage in open discussions with market makers about portfolio disclosure to ensure transparency and facilitate liquidity. Additionally, there is a general need for enhanced investor education to help investors understand the benefits and mechanics of secondary markets. By working together, policy makers, fund managers, market makers, and investors can create a robust ecosystem that supports the growth and sustainability of the European economy and societies. ●

Operational Excellence and the Role of AI in ESG Integration Across Private Markets

LPEA in collaboration with members of the ESG reporting taskforce.

As environmental, social, and governance (ESG) considerations remain strategic within the European Union, the Private Equity (PE) and Venture Capital (VC) sectors continue to progress on how to incorporate ESG considerations throughout the investment lifecycle. While the recent Omnibus developments have introduced a degree of regulatory uncertainty, the expectation from limited partners (LPs) and other stakeholders for clear, measurable ESG outcomes continues to be unwavering.

At the same time, Artificial Intelligence (AI) is revolutionizing how organizations operate—unlocking new efficiencies, informing better decision-making, and introducing transformative capabilities across industries. In the context of ESG integration, AI's potential is particularly interesting. Yet, for its adoption to be both impactful and sustainable, it needs to be guided by a clear framework of responsibility, accountability, and ethical alignment.

This article examines how AI can support operational excellence in ESG integration at three interconnected levels within the PE/VC ecosystem:

1. The **Fund-to-end investor** ESG reporting level;
2. The **portfolio company-to-Fund** ESG management level; and
3. The overarching concept of **responsible AI** and **digital sustainability**, as it relates to both fund managers and portfolio companies navigating talent and governance transitions.

The Fund-to-end investor level: ESG reporting as strategic transparency

At the highest level, the interface between fund managers and investors has undergone a paradigm shift. ESG reporting has evolved into a central theme, driven by mandatory regulatory developments or management of internal reporting, as well as the broader societal demand for purpose-driven investments.

Investors increasingly expect not only ESG metrics but also alignment with global sustainability goals. They seek comparability, consistency, and verifiability across funds and asset classes.

In this environment, fund managers are challenged to efficiently collect, validate, and interpret vast amounts of ESG data across diverse portfolio companies and sectors. AI, when deployed strategically, offers the ability to help in streamlining these reporting needs while enhancing accuracy and timeliness.

Yet, the role of AI extends beyond automation. At this level, AI can help in enabling forward-looking insights. Through algorithmic analysis and trend detection, fund managers can identify emerging risks and opportunities across their portfolios, evaluate climate scenarios, and map materiality in a more dynamic manner.

This intelligence can help enhance the quality of dialogue with LPs. Rather than viewing ESG reports as compliance documents, fund managers can position them as narratives of long-term value creation, backed by data, context, and predictive analytics. This approach, however, must be anchored in transparency regarding AI methodologies, clear audit trails, and a commitment to data integrity.

The portfolio company level: ESG integration and management as value creation

For PE and VC firms, ESG integration at the portfolio company level is a strategic imperative, which may influence long-term performance, reputational resilience, and increasingly, exit valuation.

> Through algorithmic analysis and trend detection, fund managers can identify emerging risks and opportunities across their portfolios, evaluate climate scenarios, and map materiality in a more dynamic manner."

Effective ESG management may include robust systems for tracking environmental footprints, social equity, workforce diversity, supply chain integrity, and governance structures, while acknowledging for the heterogeneity of portfolio companies—ranging from early-stage start-ups with limited reporting infrastructure to mature enterprises with complex operational ecosystems.

In this context, AI may help in supporting operational excellence by embedding ESG into core business processes. AI-enabled platforms can serve as centralized repositories of ESG performance, integrating with finance, HR, procurement, and sustainability systems. This facilitates monitoring and ensures consistency across reporting cycles.

However, the real opportunity lies in embedding ESG into the strategic culture of portfolio companies. AI can provide insights into how sustainability initiatives correlate with operational performance, customer engagement, and employee retention. By making ESG more actionable, AI can help shift the perception of ESG from an external requirement to an internal source of competitive edge, which can in turn also provide a richer dataset to inform fund-level reporting and impact measurement.

It remains important to note that the successful deployment of AI for ESG purposes depends on building foundational data capabilities within portfolio companies. This includes implementing a culture of data governance, and ensuring that ESG roles are well-defined and empowered.

Responsible AI and digital sustainability: A cross-cutting priority

While AI may enhance ESG performance and reporting across the PE/VC value chain, its adoption introduces new dimensions of ethics and responsibility. As AI is becoming an integral part of the business strategy and operations, companies may be willing to rethink how they prepare their workforce for this transformation and ensure an ethical usage of AI. The shift is no longer limited to technology deployment—it extends into talent strategy and aligning workforce capabilities with AI integration plans, in a responsible manner.

For portfolio companies as well, operational excellence may increasingly involve their ability to equip teams with the skills and agility required in AI-enabled environments. Companies may want to embed re- and upskilling programs into the broader talent strategy, ensuring that employees can adapt to changing roles and technologies.

Fund managers can play a key role in supporting these transitions and promoting a culture of innovation and continuous learning across their portfolios, which may lead to sustainable value creation in the age of intelligent systems.

Aligning ESG ambitions with AI-driven operational excellence

As ESG considerations remain strategic in the agendas of investors and fund managers, the PE/VC sectors are steadily advancing their approaches to embedding ESG across the investment lifecycle. AI can introduce a new and powerful dimension to this landscape—one that can enable greater efficiency and foresight in ESG reporting and management.

At the fund level, AI can elevate ESG reporting from a compliance obligation to a strategic asset—enhancing transparency, supporting predictive insights, and strengthening investor confidence. At the portfolio company level, AI can help institutionalize ESG into the operational fabric of businesses, enabling them to continuously track, manage, and improve their sustainability performance. However, aligning talent strategies with the realities of digital transformation by encouraging workforce readiness, fostering adaptable, AI-literate teams and building a culture of continuous learning and ethical usage of AI is key.

Ultimately, operational excellence in the age of AI and ESG is not only about systems and structures; it is about ethics, responsibility, agility, and vision. The ability to pair technological innovation with ethical consistency and human-centric strategies will help in unlocking sustainable value for investors, companies, and society alike. ●

INSIGHTS

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By **Dr. Sebastiaan Niels Hooghiemstra,**
Senior Associate in the investment management practice group of Loyens & Loeff Luxembourg

PEPP 2.0 – Opportunities for Alternative Investment Funds?

Regulation (EU) 2019/1238 ("PEPP 1.0") was adopted in 2019 and is applicable since 22 March 2022. Until now, the uptake of Pan-European Pension Products ("PEPPs") is disappointing. EIOPA released a Staff Paper on 11 September 2024 (the "EIOPA Feedback") in which it published its preliminary views with respect to the upcoming review of PEPP 1.0 in 2027. This contribution considers the EIOPA Feedback and reflects upon it from the viewpoint of AIFs and their managers.

1. Attention Points for AIFs with view to PEPP 2.0

The asset management industry initially pushed for PEPP 1.0. They thought that it would be an opportunity to enter the European pension market that is traditionally dominated by (voluntary) pension funds and insurance companies. However, until now, PEPP 1.0 accommodates mainly the needs of incumbent pension and insurance undertakings that have no incentive to launch third pillar "competing products" under the PEPP framework. Enabling fund/asset managers to compete with these players is, from a supply-side point of view, essential in making PEPP 2.0 work. With view to (alternative) investment fund managers, the following points have, in particular, to be considered:

1.1. Abolish Complex Investment Rules under PEPP 2.0

The PEPP under PEPP 1.0 is currently a cross-sectorial third pillar pension product that may be offered by, amongst others, banks, insurance companies, pension fund and fund/asset managers. It leans on existing suitable types of third pillar retirement products, such as AIFs, UCITS, IORPs (resembling investment funds) and unit-linked insurances. However, the excessively overregulated "investment rules" for the "default option" under PEPP 1.0. that involves either guarantees or risk-mitigation techniques render, de facto, the PEPP to be rather a pension/insurance product that is not only competing with, but also more complex and expensive than existing third pillar pension and insurance products. Hence, for the uptake of a future "PEPP 2.0", the investment rules would need to be aligned with the current third pillar pension market and with existing EU sectorial regulation. In this respect, it should be considered that second pillar pension products also allocate a part of their portfolio to AIFs. Furthermore, there are – more and more – digital wealth management platforms, such as LIQID, a robo-advisor in Germany, popping up that democratize wealth management and allow retail investors and HNWIs to invest with relatively small amounts in portfolios that combine traditional equity/bond portfolios with an optimally aligned allocation to AIFs. However, to date the PEPP "default option" has the above-mentioned investment restrictions, which, in practice, renders the allocation of a part of a PEPP's portfolio to AIFs impossible. Therefore, the successful PEPP established by Finax, a (robo-advisor) PEPP provider in Slovakia that, essentially, limits their PEPP offering to ETFs applying a life-cycling strategy. Bearing in mind the LIQUID example, however, there may be room in the market for PEPP providers that offer (robo-advisory) solutions with a "family office-type" of investment portfolio. To make this possible under PEPP 2.0., eligible investments could be limited to AIFs (with the ELTIF, EuVECA and EuVECA/EuSEF label), as well as UCITS, IORPs and unit-linked insurances. Products will then be fully aligned with EU sectorial regulation and this would make PEPPs less complex, costly and more interesting for fund/asset managers. In practice, fund/asset managers would, for example, develop robo-advice products with a mixture of UCITS (ETFs or not) and AIFs (with ELTIF, EuVECA or EuSEF European labels) that would benefit from a favourable tax treatment.

1.2. 1% Costs and Fees Cap & Inherent Expenses

Another frequently mentioned reason for fund/asset managers not to step in under PEPP 1.0 is the so-called costs and fees cap of 1% of the accumulated capital per year in relation to the "Basic" investment option of a PEPP (not to other investment options). The fee cap is, from a comparative perspective (Australia, UK and US), not low. However, in the "start-up phase", the EIOPA Feedback notes that the fee cap limits fund/asset manager's ability to offer PEPPs given initial expenses and lack of scale.

However, LIQID has also shown to be able to operate a balanced robo-advisory solution that includes both liquid equity/bond investments and AIFs for a management fee that is less than 1% per year. Hence, it has been shown both within and outside the EU that it is possible to offer a relatively cheap PEPP product, if the "start-up phase" would be accommodated from a regulatory perspective. An option in this respect could be to waive the cap for a number of years after the establishment of the PEPP or to introduce an alternative, such as a "value for money" concept.

Furthermore, it is to be noted that the PEPP has "inherent expenses", as it involves two mandatory advice moments (prior to the first investment and prior to the pay-out phase) and it also involves complex investment strategies (cost of guarantees and risk-mitigation techniques). The mandatory advice moment could be abolished, as existing product governance, disclosure rules, as well as a suitability test offer enough protection for PEPP savers. This would also free up "budget" for fund/asset managers to offer solutions with more sophisticated investment strategies.

> **"A well-designed PEPP 2.0 framework has the potential to follow the footprint of UCITS and ELTIFs."**
>
> Dr. Sebastiaan Niels Hooghiemstra

2. Outlook: Opportunities for Alternative Investment Funds?

The PEPP under a well-designed PEPP 2.0 framework has the potential to follow the footprint of UCITS and ELTIFs. Both UCITS and ELTIFs were not that successful when they came out under their first iterations, but reflections and feedback improved the products. UCITS became a (global) success and ELTIFs are also increasingly being launched after ELTIF 2.0 took effect.

Until now, PEPP 1.0 accommodates mainly the needs of incumbent pension and insurance undertakings that have no incentive to launch third pillar "competing products" under the PEPP framework. Hence, in order to boost the third pillar pensions market in Europe, it is essential that the framework covers the needs of existing players, but also new players in the domain (i.e. fund/asset managers). For fund/asset managers to successfully enter this EU market and offer PEPPs that combine UCITS and AIFs, it is essential that the PEPP 1.0 mandatory complex investment rules for the "default" option will be largely abolished and that the PEPP product rules will not goldplate the existing EU products. Only in limited instances, for example, in the case of investments in AIFs, additional investment rules may be required to be in place by limiting PEPP, which are essentially retail investments, to ELTIFs, EuVECAs and EuSEFs only. The EU legislator should not overlook that the PEPP is, till now, a third pillar product that leans on existing EU products (e.g. AIFMD, UCITSD, IORPD, MiFID II, CRD, Solvency II and the IDD) that already have an EU passport and, hence, PEPPs should thus offer more value with, for example, extra tax benefits to become a success. These essentials combined with some other flanking changes proposed with EIOPA for sure may lead for the PEPP (as a third pillar product) to be a success. ●

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By **Monica Ramos da Fonseca,**
Conducting Officer and Head of Sales & Marketing at MC Square

Luxembourg: Gateway to European Cross-Border Fundraising

After more than two decades navigating the fund industry, I've learned this: if you're planning to raise capital across borders in 2025, bring your best advisors, an iron will, and a sense of humour. Today, cross-border fundraising is no longer just a compliance exercise, it's an art form. You'll need to balance regulatory expectations, marketing strategies, and local investor nuances, all while keeping a straight face on Zoom. Amid growing complexity, there are still places where clarity and experience prevail, and Luxembourg remains one of them.

Why Luxembourg Still Leads the Way

Luxembourg's role as a key hub for cross-border fundraising didn't happen by accident. It's the result of decades of legal innovation, regulatory pragmatism, and a finely tuned ecosystem built for scale. With over 5,000 funds and €5 trillion in assets under management, Luxembourg is not only the largest fund centre in Europe but also the second-largest globally, right behind the U.S.

Its appeal? A combination of robust investor protection, regulatory flexibility, multilingual talent, and a legal framework that supports virtually every structure under the sun - UCITS, AIFs, RAIFs, ELTIFs, and more. The country's central position in the EU allows managers to leverage passporting rights effectively, but it's also a trusted platform for launching global distribution strategies well beyond Europe. Luxembourg also benefits from a strong public-private dialogue, with regulators who are accessible and industry bodies (like LPEA and ALFI) that push forward-thinking initiatives. The result: a jurisdiction that doesn't just follow change it often anticipates it.

The Role of Third-Party ManCos: Making Distribution Possible (and Practical)

For fund managers, especially those without a physical presence in Luxembourg, partnering with a licensed third-party management company (ManCo or AIFM) has become a strategic accelerator. These platforms provide substance, governance, and regulatory infrastructure, allowing asset managers to focus on what they do best: managing capital and relationships.

A good ManCo isn't just a regulatory checkbox, it's a facilitator of international growth. These firms bring deep operational expertise, compliance oversight, and distribution know-how. They help structure the fund, ensure alignment with local and EU regulations, and often offer access to tried-and-tested distribution networks. As distribution complexity increases, from ESG disclosures to retail accessibility rules, third-party ManCos provide an operational backbone and a critical layer of protection. They know the nuances of marketing rules across Member States, they maintain regulator relationships, and they manage cross-border filings with precision.

In short: for those seeking a flexible, scalable route to market, a third-party ManCo based in Luxembourg is often the missing link between strategy and execution.

The Beautiful Complexity of Fundraising Across Europe

As highlighted in the KPMG–ALFI Private Debt Survey, nearly 50% of Private Debt managers view distribution complexity as a barrier to scaling, especially when venturing beyond the familiar terrain of institutional investors. On paper, the EU offers a harmonised framework. In practice? Try registering a fund in three Member States at once, and you'll quickly realise it's more like 27 interpretations of the same opera. From diverging definitions of "pre-marketing" to unique documentation rituals, the dream of "one passport to rule them all" still collides with a reality of forms, filings, and footnotes. Outside the EU, it's more like taking your show on tour. Markets in the Gulf, Asia, or Latin America are rich with opportunity, but each brings its own tempo, rules, and, let's call them plot twists. Local presence, expert regulatory translators, and a dose of patience are essential for a successful performance. What's worth celebrating is the shift in emerging markets; they're no longer just destinations for capital but are becoming active participants in outbound fund distribution. According to ALFI's 2025 Cross-Border Distribution Study, countries like Brazil, South Africa, and the UAE are not only attracting European funds but also developing international distribution strategies of their own. This marks a new phase in the globalisation of fundraising and underscores the need for agile, borderless platforms.

> **"At its core, fund distribution isn't just about regulation, it's about trust, adaptability, and building bridges across geographies and cultures."**
>
> Monica Ramos da Fonseca

A Practical Edge

Whether you're registering across jurisdictions or tailoring your strategy for specific investor segments, success doesn't come from the flashiest solution, it comes from what works. Quiet reliability beats hype every time. That means legal frameworks capable of handling nuance, service providers who understand both local realities and international standards, and distribution networks that reach beyond their domestic comfort zones. That's where real progress happens.

And yes, sometimes I like to think of navigating regulatory complexity the way Carrie Bradshaw might approach Fifth Avenue: confident, curious, and in fabulous heels. Who says fund distribution can't have a little sparkle?

Retail Distribution: Opportunity with a Side of Complexity

Bringing retail investors into private market strategies is exciting, but let's be honest, it's also more demanding. Transparency, suitability, liquidity, these aren't just buzzwords; they're non-negotiables. Onboarding must be watertight, and investor communication should be clear, accessible, and legally sound. The industry is adapting, with deeper expertise and more structured support for retail-ready offerings. From transfer agent teams to enhanced risk monitoring, success lies in balancing investor protection with performance. It's not magic — it's experience.

Technology as a Growth Enabler

Not long ago, fund distribution meant endless email chains and Excel spreadsheets. Thankfully, those days are fading. Today's environment requires robust tech from seamless onboarding flows and rebate management to investor portals and real-time dashboards.

In this sea of evolving requirements, even one well-designed dashboard can feel like a superpower. Regtech and fintech are no longer just about ticking compliance boxes; they're driving speed, intelligence, and scale.

Due Diligence and Distribution Oversight

Every new distribution partner brings another round of documents, KYC checks, and due diligence. Maintaining consistent standards across multiple channels isn't just tedious, it's mission-critical. From AML questionnaires to local compliance packs, the administrative burden can grow fast.

The key? Streamlined processes that don't compromise on depth. Service providers who know what global distributors expect, and can pre-empt bottlenecks, are worth their weight in gold. Distribution oversight isn't just about signing agreements; it's about tracking, maintaining, and aligning them with meaningful KPIs. And let's be honest, the less time spent on red tape, the more time we can spend choosing the right heels for the next client meeting.

The Bigger Picture

At its core, fund distribution isn't just about regulation, it's about trust, adaptability, and building bridges across geographies and cultures. In a world where access is both global and granular, distribution professionals must manage a wide spectrum of expectations with precision and purpose.

It's not just about the jurisdiction. It's about the people, the process, and the platform you choose to work with.

Cross-border distribution may never be "easy," but it doesn't have to be overwhelming. With the right partners, robust structures, and a clear strategic focus, it becomes what it should be: an engine for scale. The goal? Move with precision, communicate with purpose, and grow with integrity. And if you're navigating all this in 2025, just know: you are not alone. We're all in one client, one filing, one success at a time. The best is yet to come. ●

By **Bruno Bagnouls,**
Head of SPV Solutions and Luxembourg Business Development Leader at Alter Domus

and **Anastasia Greco,**
Head of Regulatory & Governance Services at Alter Domus

What Rising Operational Demands Mean for the Alternative Assets Industry

Increasing regulatory oversight across private markets in Europe is impacting how managers are thinking about their operational models, with non-core back-office functions becoming an essential enabler of front office capability.

Introduction

Launching an alternative fund has become much more complex than it used to be, with increasing regulation in Europe one of the primary drivers of the rising operational burden.

The origins of the alternative assets industry can be traced back to small, owner-managed partnerships of investment professionals. Compliance and regulatory reporting obligations were relatively minimal, and back-office functions tasked with regulatory compliance and reporting viewed as pure-cost centers with limited impact on the front office functions of raising and investing capital.

As the private markets assets under management expanded, however, so has regulatory oversight of the alternatives space, which in turn has fostered demand for greater transparency and regulatory reporting from alternative asset managers.

The implementation of the Alternative Investment Fund Managers Directive (AIFMD) in 2013, a regulatory framework for private markets industry brought forward by the European Commission, was the first major step on this regulatory trajectory, triggered by the 2008 financial crisis.

Further regulation has followed subsequently and changed the capabilities alternative asset managers require to be effective, with regulatory and operational expertise as important as investment strategy and product development for long-term success in private markets.

Primary role of the AIFM

The growing importance of partnering with the right Alternative Investment Fund Manager (AIFM) exemplifies how the alternative assets industry has had to adapt to a rising operational burden, and how back-office and front office functions have become increasingly interlinked.

AIFMs are regulated legal entities that have to be approved by European regulators and authorized under the AIFMD. AIFMs, often, handle portfolio and risk management for Alternative Investment Funds (AIF), and have come to play a crucial role in working with asset managers to dilute operational burden and control operational costs. Asset managers have the option of establishing an in-house AIFM, or working with a third party AIFM company supporting with the daily management of funds.

In addition to risk and portfolio management, third-party AIFMs can also offer support with accounting and financial reporting, asset valuations, marketing and regulatory reporting. Working with an authorized AIFM can save a manager significant up-front set up costs and time, as well as supporting ongoing cost efficiency in the running of funds. Third-party AIFM providers will have the scale and expertise to develop and maintain digital portals, automated workflow tools and best-of-breed alternative assets software, that can be harnessed to handle rising operational workflows while keeping costs in check.

Working with an authorized AIFM also serves to reinforce investor trust in the resilience and functionality of an investment managers' operation infrastructure, with LPs drawing comfort when funds are overseen by recognized AIFMs with proven operational credentials.

The AIFM's role now clearly extends well beyond a basic back-office cost center, with the AIFM now a key enabler for effective manager operations, long-term commercial sustainability and funds' compliance.

Anti-money laundering and sustainability struck a blow

In addition to the far-reaching impact of the AIFMD, private markets managers have also had to respond to the requirements of the EU's Anti-Money Laundering and Terrorist Financing Directive (AMLD IV) and Sustainable Finance Disclosure Regulation (SFDR). Both pieces of regulation have demanded additional regulatory transparency and reporting from investment managers, and have also shaped the requirements of underlying LPs when it comes to the investor KYC.

The AMLD IV, in 2015, introduced extra obligations on managers to run detailed know-your-client (KYC) and anti-money laundering (AML) checks on investors. More recent regulation now requires managers to not only run KYC and AML reviews on investors, but also on investments (KYA), which was not previously mandatory. For the latter, the role of the AIFM is again crucial as investment managers often do not have relevant expertise and systems.

The SFDR, meanwhile, was introduced primarily as a disclosure regime, but has evolved into an investor proxy for a fund's wider sustainability credentials, adding to the back-office workloads. Having recently introduced strict fund naming rules, fund managers had in some cases to rename their product which could disturb investors relations.

Data management as main challenge for regulatory compliance

Data quality and management has become key for investment managers in order to ensure that they have ready access to the necessary data in order to be compliant with SFDR and AML/CFT regulation and make the required disclosures.

Upgrading data management capability, and putting the necessary IT infrastructure in place to do so, is a regular bottleneck for investment managers as they move to improve and digitise their operations, and represents the next big operational challenge facing the alternative assets industry.

Digitalization of alternatives operations is being driven by investor expectations for more frequent, granular reporting, which requires tech-enablement to deliver, as well as another piece of regulation that AIFMs are having to contend with – the European Union's Digital Operational Resilience Act (DORA).

> **"The market has now seen an increase in assistance demands from in-house managers relying on top-tier service providers, as firms have become overwhelmed by the complex regulatory canvas and the lack of SME functions."**

Continuous improvement in technology requires appropriate budgeting and therefore should be prioritise by investment managers when partnering with regulated managers or service providers.

The market has now seen an increase in assistance demands from in-house managers relying on top-tier service providers, as firms have become overwhelmed by the complex regulatory canvas and the lack of SME functions.

In general, the capabilities of service providers and external AIFMs in handling regulatory complexity with automation and a consistent model supported by appropriate staff, have became a central focus point when performing due diligence duties and exploring partnerships. To focus on core activities, investment managers should be very ambitious in their outsourcing model and invest in long-lasting relationships with firms investing in future-proof models rather than simple tick-the-box exercises to outsource operational tasks at the lowest cost.

The key takeaway

The rising regulatory burden that alternative asset managers now have to carry has had a direct impact on how investment managers think about their wider commercial strategies.

A private markets firm has evolved from an entity primarily focused on devising investment strategies and presenting investment products to investors, into a business that also has to have a grip on how regulation now influences not only new product development, but also the ongoing costs of meeting investor and regulatory expectations.

Entering new markets, meanwhile, has become a complex exercise, with investment managers having to navigate varying regulatory frameworks and requirements, especially when it comes to funds registration.

As operational models become more sophisticated in response to increasing operational burdens, managers are also having to address governance matters at board level as their organizations professionalise and become more institutional.

At every level, regulation is reshaping what private markets investment managers do and how they are run.

Conclusion

The complexity of regulatory framework governing private markets has reached a peak, and as investment managers look for ways to manage the costs of added regulation, and future-proof their operations, new operating models are emerging to meet the demands that will face the alternative assets managers of the future.

Outsourcing is likely to play an increasingly important role as investment managers make this transition. The rising investment required in technology and compliance to keep pace with constantly evolving regulatory and investor demands will become ever more challenging for individual managers to bear on their own. This will broad the scope of fund administrators and AIFM companies to step in and leverage their scale and geographic reach to offer investment managers with the necessary coverage and digital expertise at a more reasonable cost point.

To take up the challenge, AIFM and service providers must succeed in their digital and operational transformation to meet the demand, and remain Trusted Advisors for Investment Manager firms. ●

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By **Ian MacWilliams,**
Managing Director and Conducting
Officer at SEI Luxembourg

Rethinking Replication

Many private markets firms are weighed down by legacy replication models that don't fit with today's investment environment. Ian MacWilliams, Managing Director and Conducting Officer at SEI Luxembourg, shares the challenges his clients are facing and how a low-replication model has helped them scale.

SEI's latest research shows just how widespread replication has become. What does that look like for private markets firms?

The research validated what I hear in the field. Clients are trying to solve complex operational problems, but to do that, they first need to understand the full scope of those challenges. This research helped illuminate not just where firms are in terms of fund administration, but where they want to be.

Just one striking finding is that more than a third of private markets firms have more non-investment than investment staff. That speaks volumes about the strength of their back offices. If non-investment professionals could focus on driving value creation instead of replicating administrative tasks, it could lead to significant improvements. Firms could also benefit from prioritising investor relations and investment decisions, rather than continuing to duplicate efforts.

How are high-growth firms challenging the traditional replication model?

Managers are interested in scalability. In-house replication might have made sense when a firm was small and wanted tight control over every process, but as it grows – adding new strategies, jurisdictions, asset classes – it becomes costly and inefficient to build all those skills internally. That's where administrators come in, but the model of bolting on a new provider with every launch isn't sustainable either.

The firms that are growing quickly have clocked the inefficiencies of a multi-administrator, high-replication model. They know that time is a competitive advantage. Our research found that 47% of firms experience delays of three or more days in their investor reporting cycles due to replication. If firms replicate less, they can get information out the door faster, which helps them build stronger investor relationships and frees up time and resources for more valuable tasks.

What role does market pressure play in the drive to reduce replication?

Private markets are extremely competitive. Fundraising cycles are faster and there's a premium on being nimble. If you're spending time on oversight and replication instead of building relationships and going to market, you're missing opportunities that may go to your competitors.

What holds many firms back from gaining that competitiveness is a lack of trust in third-party data. They replicate due to the perceived unacceptable operational risk of solely relying on their administrators' data, and 63% of respondents said better data quality would help reduce replication.

We believe in opening our workflows to clients with transparent check-lists, audit trails, and accountability that firms can view in real time. That kind of visibility builds trust. On the usability side, we integrate our data directly into clients' systems. If a client has multiple administrators, we can even act as the primary provider, harmonising all third-party data and removing the need for clients to replicate it in-house.

All those back-office efficiencies let our clients put more time into sourcing and analysing deals. It gives them the scale to focus on investor relationships, drive better economic terms for their funds and investors, and drive commitments to new strategies.

Firms often cite regulator and investor demand as reasons for replication. How can a fund administrator address those concerns?

We learned in the research that Excel is still being used widely for oversight, with 38% of firms without an ABOR using it. That opens the door to manual errors and inefficiencies. Our approach is to reduce those risks with systematic, auditable processes across best-in-class technologies.

There isn't one investment platform that does everything. We take a modular approach, pulling together the best tools and unifying their outputs into a single data warehouse that our clients can call on. The investment manager gets a top-down view of their whole book, or they can integrate that data through daily APIs that fit directly into their system. The resulting insights can be used for a firm's own needs, and investor and regulator questions can be answered quickly, too.

How can firms transition to a low-replication model?

Start small. We see our clients begin with one or two funds, and as confidence grows, in-house replication is scaled back. That gives them a clear test case. As new funds launch, trust has been established, and any replication is not needed or is minimal.

Over time and with the visibility we provide, they gain trust in the process and realise they don't need to keep replicating administrative data themselves. Depending on the client's in-house model, there could be additional benefits such as reducing the costs associated with building and maintaining technology.

There's also a natural migration path in private markets. As legacy funds wind down, new launches can use a low-replication model from day one. Firms don't need to execute a full-scale transformation overnight to begin realising these efficiencies.

> **"In-house replication might have made sense when a firm was small and wanted tight control over every process, but as it grows – adding new strategies, asset classes – it becomes costly and inefficient to build all those skills internally."**
>
> Ian MacWilliams

It seems that trust is key to reduce replication. How do you build that trust?

Trust is built through transparency and accountability.

We believe in letting clients look directly into processes. That visibility eliminates guesswork and fosters accountability, which in turn builds trust. It also helps both sides learn: as an example on NAV calculations, was the delay caused by SEI, or were valuation marks not received on time? That ongoing feedback loop strengthens the partnership.

As high-growth firms scale, the cost of replication becomes unsustainable. We understand that trust is key to transform replication models. With the right partner – one that can deliver high-quality data, simple integration, and scale across asset classes and domiciles – firms can do away with replication without losing control. That means they can focus on growth. ●

INSIGHT/OUT #34

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By **Mickael Tabart,** Partner and Private Equity Market Leader at KPMG

and **Alexandre Hector,** Partner at KPMG

Shaping the Future of Private Markets and Wealth: Lessons from IPEM Cannes

The IPEM Wealth event held last January in Cannes brought together key players from the private equity and wealth management sectors for a period of insightful discussion and networking. Given the rising importance of democratization and wealth management in the distribution of private asset funds, IPEM decided, for the first time, to fully dedicate this event to wealth management. From now on, all IPEM events held in January in Cannes will be dedicated to wealth management and will be renamed "IPEM Wealth," aiming to become a leading forum for this major evolution in our industry.

The event aimed to bridge the gap between private markets and private wealth, offering a platform for networking, brainstorming, capital raising and deal-making. Panel discussions explored key themes such as the potential of digitalization to facilitate the connection between individual investors and asset managers, the importance of intermediaries and distributors in the democratization trend, the rise of evergreen structures to meet individual expectations, and the need for greater industrialization and standardization to scale operations and properly target mass affluent distributors.

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Mickael Tabart (KPMG) and Stephane Pesch (LPEA)

During this first year's edition, most participants acknowledged that a hybrid industry is gradually emerging, blending the characteristics of the UCITS/mutual fund world from a distribution and operations perspective, and of the alternative fund world from an investment perspective.

In his opening speech, Antoine Colson, CEO of IPEM, highlighted significant trends that are creating new horizons for our industry. These include a massive need for funding in Europe, across areas such as infrastructure development, clean energy projects, and technological innovation. He also emphasized the growing appetite from private banking clients for private asset investment and involvement in the real economy through concrete projects. At the same time, private equity firms are struggling to raise capital, while traditional actors financing the real economy face limitations in their financing capacities. "This is our moment," Antoine Colson declared, calling on the industry to seize this unprecedented opportunity.

This year's event also emphasized the evolving role of private assets within wealth management portfolios, highlighting a growing interest among family offices and high-net-worth individuals in diversifying their investments through alternative asset classes. Experts shared their views on the need for innovative strategies to navigate market uncertainties, maintain resilience, and deliver sustainable long-term value (especially in the current complex macro-environment).

> **"The future of wealth and asset management will be shaped by three critical factors: innovation, sustainability, and global collaboration."**

Special Session Highlight

During IPEM, KPMG co-sponsored a session organized by LPEA titled "Luxembourg, the Hub for Democratization," highlighting the Grand Duchy's role in fostering greater accessibility to private markets and investment opportunities. Alexandre Hector moderated a panel featuring Markus Pimpl from Partners Group and Luc Maruenda from Eurazeo, discussing the potential of democratization for the industry. Stephane Pesch concluded the session alongside them, offering valuable insights to the audience.

The Road Ahead: Luxembourg as a Strategic Wealth and Asset Management Hub

The future of wealth and asset management will be shaped by three critical factors: innovation, sustainability, and global collaboration. Luxembourg is not just adapting to these changes—it is leading them. Together as a financial community, Luxembourg will continue to attract top-tier investors by offering secure and innovative financial instruments. We will drive sustainability in wealth management, ensuring that Luxembourg remains a center of impact-driven investment. We will strengthen our role as Europe's financial gateway while competing globally with the most advanced wealth management centers. As highlighted in the Draghi Report and the European Commission's upcoming Omnibus Initiative, Europe's competitiveness hinges on strengthening financial integration, fostering investment, and reinforcing Luxembourg's strategic role in global asset management. Additionally, the EC's initiative has the aim of streamlining regulatory frameworks, reducing administrative burdens and enhancing efficiency across the EU. This aligns with Luxembourg's commitment to maintaining a business-friendly environment, further solidifying our position as a leader in wealth and asset management. ●

Alexandre Hector (KPMG), Markus Pimpl (Partners Group) and Luc Maruenda (Eurazeo)

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Board Governance in Focus: Managing Disputes, Tax Scrutiny and Financing in Private Funds

By the Independent & Non Executive Directors Club

On 16 May 2025, the Luxembourg Private Equity & Venture Capital Association (LPEA) convened over 150 members and guests for its inaugural Directors and Governance Day. Organised by the Independent & Non-Executive Directors (iNED) Club and its co-chairpersons Allen Foley and Jane Wilkinson, and hosted by Arendt & Medernach, the event brought together legal, tax and governance experts to address current private assets fund governance themes.

The day began with opening remarks from moderator Nicholas Curwen, who invited LPEA CEO Stéphane Pesch to deliver the welcome address. Mr Pesch underscored the iNED Club's mission as a forum for exchanging experience, navigating shared challenges and equipping its 65 members to capitalise on emerging trends.

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Fireside chat with Tom Theobald, CEO, Luxembourg for Finance

Jane Wilkinson and Tom Theobald, CEO of Luxembourg for Finance (LFF), discussed LFF's role as the global advocate for Luxembourg-the world's second-largest investment fund centre with over €7.5 trillion in assets under management, hosting 62% of all European alternative funds and 52% of European Private Equity funds.

LFF's targeted outreach and strategic partnerships build upon this leadership, reinforcing awareness of Luxembourg's political and regulatory stability, its cross-border expertise, and a prevailing culture of openness and transparency. Feedback from these efforts consistently highlights Luxembourg's appeal as a business-friendly jurisdiction for private assets. Such engagements also provide an opportunity to address misconceptions and showcase the industry's progress in moving up the value chain and diversifying its offering.

The Luxembourg government, for its part, has introduced concrete measures to maintain competitiveness and encourage innovation - most notably in areas such as tokenisation and digital assets - while promoting value-added investment activity.

The discussion concluded by reaffirming that Luxembourg's robust ecosystem, diverse product suite and strong reputation remain key advantages, particularly in a volatile global environment.

Navigating Disputes and Litigation

The first panel addressed strategic dispute resolution within investment fund structures. Moderated by Allen Foley, the panel featured Claudia Hoffman (Partner, Luther S.A.), Hélène Arvis (Partner, Ogier) and Gavin Farrell (Partner & COO, TREO Asset Management). The discussion centred on the comparative merits of litigation, arbitration, mediation and Early Neutral Evaluation (ENE). While litigation and arbitration are well-established, the panellists observed that they are often slow, costly and can erode value. By contrast, mediation and ENE - though less familiar - offer flexible, interest-based solutions and can preserve business relationships.

Ms Hoffman advocated for the inclusion of alternative dispute mechanisms at the fund's inception, rather than as an afterthought. Ms Arvis highlighted the limitations of indemnity provisions and the limited adoption of arbitration clauses in fund documents, arguing that mandatory mediation clauses are more effective than voluntary ones, as parties may otherwise decline to participate when tensions escalate. Mr Farrell pointed to operational risks during GP transitions, particularly when outgoing managers are uncooperative or when documentation lacks clarity. He stressed the need for enforceable undertakings and robust information-sharing to ensure smooth transitions and prevent value erosion.

The panel also noted that Luxembourg's less prescriptive legal environment makes contractual clarity even more critical.

The consensus was that well-drafted, mandatory escalation procedures - beginning with mediation or ENE - should become standard in fund documentation to prevent disputes from escalating into costly litigation.

The panellists' principal message to board directors was unequivocal: proactive, robust, mandatory mediation or ENE clauses protect value, preserve relationships and reduce operational risk.

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Tax Dispute Resolution

The day continued with a presentation by PwC tax partner Alina Macovei, expanding on the theme of dispute prevention. With fiscal pressure mounting in developed economies, tax authorities have enforced stricter compliance measures and have intensified cross-border cooperation. As a result, disputes concerning substance, business purpose and beneficial ownership have become increasingly common.

Ms Macovei explored the key considerations for boards in establishing robust tax policy and managing potential disputes. Participants gained insight into the critical role of boards in overseeing tax strategy, ensuring compliance, promoting transparency and responding to audits or disputes. Emphasis was placed on proactive measures: operational frameworks, documentation, internal communication and a thorough understanding of material tax risks by all transaction participants.

Finally, Ms Macovei stressed that Board members need to be well equipped with the knowledge and tools to understand, prevent and mitigate risks, to create sound tax policies and to promote a culture of compliance.

Private Assets Fund Financing

The final session addressed fund financing. Moderated by Alessia Lorenti, the panel offered fresh perspectives on trends, risks and opportunities in fund finance, while underscoring the importance of robust governance and transparency.

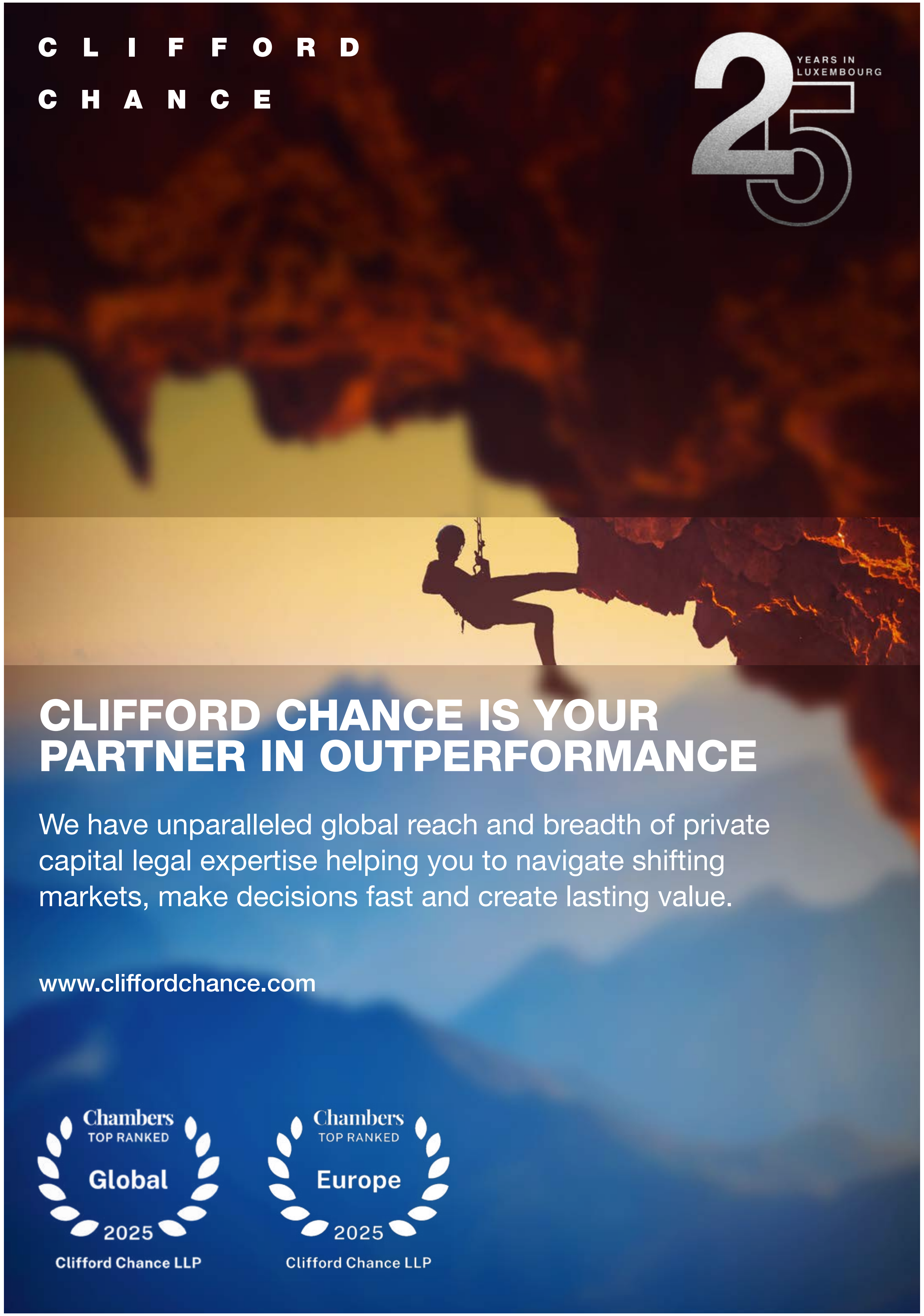
Matthieu Taillandier, Head of Finance & Capital Markets at Arendt, outlined key differences in risk profile between subscription lines (secured by undrawn investor commitments) and NAV (Net Asset Value) lines (backed by underlying assets). Daniela Klasén-Martin (RBS International) and Yves Wampach (Spuerkeess) discussed the banks' role as lenders, highlighted key commercial terms (loan-to-value ratios, fee structures and facility tenor), and stressed the importance of clear disclosure and consent in fund documents regarding pledges of undrawn commitments. Robust credit assessments and security packages remain essential, with institutional investors preferred as counterparties.

Priscilla Schnepper, representing the European Investment Fund (EIF) as a limited partner, values the flexibility of subscription lines but remains cautious about NAV financing due to its complexity. EIF requires transparency in the use of financing facilities, regular reporting and clarity on the rationale for their use, particularly regarding their impact on internal rate of return.

The panel agreed that evolving regulations, notably CRD6, could materially impact existing banking and lending arrangements, in particular if the lender has no EU presence and depending on their booking policy. Their message to directors was clear: comprehensive oversight of fund financing arrangements is essential including clear reporting and ongoing assessment of the necessity, structure and impact of financing facilities on fund performance and investor interests.

Looking Ahead

The themes explored throughout the event sparked lively exchanges between audience members and panel speakers, both during the formal sessions and in informal discussions over refreshments. The evident engagement and enthusiasm suggest that the Directors and Governance Day event is well positioned to become a permanent fixture in the LPEA annual calendar. ●



By **Evi Gkini,**
Head of Business Development and Project Management at LPEA

From Regulation to Transformation: Insights from the LPEA Roundtable on the EU Pay Transparency Directive

On April 29th, the Luxembourg Private Equity & Venture Capital Association (LPEA), in collaboration with its HR, PE4W, and ESG working groups, hosted a roundtable on the EU Pay Transparency Directive. The event brought together HR leaders, legal experts, and industry professionals to explore the real-world implications of the directive through six parallel discussions—each examining a different dimension of this evolving landscape.

The directive, set to take effect in 2026, is already prompting organisations to rethink pay structures, communication strategies, and cultural expectations. A clear message emerged from the day: this is not just about compliance—it's about transformation.

Below are the conclusions of each of the roundtables:

Pay transparency: one message, a thousand interpretations

This discussion highlighted that pay transparency is as much about communication as it is about compliance. Participants explored how to share pay-related information in a way that is fair, consistent, and tailored to different audiences—from employees to leadership.

There was a shared concern that disclosing salary ranges might lead candidates to focus on the highest numbers, making it important to link pay to clear job architecture. Some firms have introduced grading systems, though their application remains uneven. Internal disparities between long-serving employees and recent hires further complicate the picture and call for careful, transparent communication.

Many organisations have started preparing by mapping roles and collecting data, though most have not yet moved toward full disclosure. In some markets, where confidentiality is still the norm, the shift to transparency is particularly delicate.

Participants noted that the lack of legal clarity around implementation timelines adds complexity, especially for companies operating across multiple jurisdictions. At the same time, macro trends—such as AI, offshoring, and a competitive labor market—are putting added pressure on compensation strategies.

Despite these challenges, organisations are taking early steps to align internally, raise awareness, and prepare leaders for a more transparent future. The process may be gradual, but the shift is clearly underway.

From compliance to impact: a constraint or an opportunity?

This roundtable explored how transparency can move beyond a legal obligation to become a strategic advantage. Participants identified multiple opportunities: strengthening employer branding, appealing to younger generations, reducing early-career turnover, and boosting internal trust. The directive was also seen as a chance to modernise compensation, promotion, and performance frameworks.

However, several challenges were raised. Legal uncertainty is slowing progress, with some companies hesitant to launch initiatives before national transposition is complete. Others expressed concern about investing in systems or data analysis that may later need to be revised. In some environments, the directive still feels distant—especially where pay discrimination is not widely perceived.

The group discussed the importance of readiness. Initial steps include mapping employee categories, running internal pay gap analyses, clarifying performance criteria, and documenting how gaps are addressed. Companies should also prepare their communication strategies in advance to avoid confusion or mistrust once data becomes public.

Cultural mindset, cost-benefit analysis, and peer pressure were also part of the discussion. Some companies are debating whether to take a reactive or proactive approach—responding only when asked, or sharing data openly. Participants acknowledged that once competitors begin disclosing, others may follow suit to protect their reputation.

Ultimately, the message was that the directive's impact will reach well beyond pay reporting. It will affect the full employee lifecycle—from recruitment to performance reviews—and requires buy-in and preparation across the business.

The algorithm of pay gaps: when data reveals more than expected

This group discussed how the new reporting obligations might reveal more than anticipated—highlighting unconscious bias, systemic imbalances, and hidden inconsistencies in pay structures. Participants noted that gender and racial disparities can emerge not only in salary but also in bonuses, promotions, and job classifications.

Biases may also show up in how experience and performance are evaluated. Some roles may be historically undervalued, and assessments may still rely on subjective criteria. A lack of oversight during interviews—such as inappropriate questions about previous salaries or family plans—can introduce bias at the hiring stage.

Participants found value in examples like the UK practice of showing salary ranges, which may reduce negotiation inequalities and support fairer hiring processes. They also discussed the importance of looking beyond salary alone. Flexibility, professional development, and non-salary benefits are increasingly important, especially for younger generations—though, as noted, "money still matters."

The group raised concerns about the accuracy of public data from platforms like Glassdoor and stressed the need for companies to build their own job classifications and pay structures internally. Particular challenges were identified around bonus systems that favor male-dominated roles, and how to align salaries post-maternity leave. Promoting equal parental leave was seen as one way to support gender equity.

Differences across sectors and company sizes also came up. Larger companies and those governed by collective agreements are often better prepared for transparency. In contrast, fast-moving industries like tech may face added difficulty due to varied and evolving role structures.

The ethics of transparency: does too much information kill performance?

This discussion focused on how far companies should go with transparency and where to draw the line between openness and privacy. Participants agreed that trust increases when pay decisions are based on clearly communicated criteria—like experience, responsibility, and contribution. When transparency lacks context, it can harm morale and team cohesion.

The importance of explaining why differences in pay exist—not just what the numbers are—was emphasized. Companies are encouraged to focus on transparency about process rather than full disclosure of figures. Setting clear performance expectations, offering regular feedback, and implementing structured review systems were seen as crucial.

Psychological and cultural factors also influence how pay fairness is perceived. Employees' views are shaped by their relationships with managers, personal confidence, and visibility in the organisation. Tools like 360-degree feedback and anonymous surveys were recommended to improve consistency and reduce bias in evaluations.

Smaller companies, or those without external benchmarks, were recognised as having unique challenges. But even in such cases, participants stressed the importance of setting internal reference points and communicating transparently about what drives pay decisions.

The domino effect on competitiveness: between transparency and the talent war

This table discussed how pay transparency intersects with competitiveness and talent strategy. Participants pointed out that while the directive may help modernise pay systems and attract talent, it also introduces complexities—especially for SMEs.

Areas of legal ambiguity such as reporting on discretionary bonuses, freelance compensation, or historical data were seen as barriers to early implementation. Companies with limited HR capacity may struggle to balance compliance with other strategic needs.

Despite this, the group agreed that transparency can support a stronger employer brand, reduce internal politics, and better align with the values of younger generations. Embedding transparency into a company's EVP (Employee Value Proposition) can help retain employees—provided that communication is well managed.

Participants emphasised the need to move from tenure-based pay to performance- and skills-based models. While this shift may take time, it is essential to avoid new perceptions of unfairness under increased scrutiny.

Concerns were raised about how transparency might affect internal equity, particularly for long-tenured employees with indexed pay. Addressing these concerns will require recalibrating job architecture and building consistent evaluation frameworks.

When pay equity disrupts corporate culture: how far to go?

The final discussion looked at how pay transparency might disrupt existing workplace cultures. In sectors where discretion is a long-standing norm, transparency may be met with resistance or confusion. Participants noted that transparency could reduce internal competition, especially when advancement appears to be tied to fixed categories rather than individual contribution.

Recruitment dynamics could also shift. With salary data more visible, negotiations may become more intense, especially when trying to align perceived value with actual experience. Questions were raised about how to compare local and international experience and how to define "fair" in a global context.

The group discussed whether employers might start redesigning roles or adjusting hiring practices to manage internal equity without broad salary increases. They also noted the importance of developing clear salary policies that include benefits and incentives—allowing room to recognise and reward high performers.

Participants emphasised that the transition requires strong leadership and early communication. HR cannot manage the change alone—legal, finance, and leadership must be involved. While cultural differences will affect how transparency is welcomed, ongoing dialogue and consistent messaging were seen as key.

The LPEA roundtables came to a clear conclusion: the EU Pay Transparency Directive is not just about compliance—it's about redefining how companies approach fairness, equity, and talent management. The process may be complex, but those who begin early and communicate transparently will be better positioned for success.

To continue this important conversation, LPEA plans to reconvene in one year—bringing the community together again to reflect on progress and how the landscape has evolved. ●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By **Natália Vieira,**
Events & Communications
Officer at LPEA

Private Market Momentum in Europe's Defence Investment Shift

In a sharp change from historical caution, Europe is ramping up defence spending—and Luxembourg's private market players are positioning themselves at the heart of this transformation.

As geopolitical tensions rise and the EU embraces a new strategic autonomy doctrine, the traditionally under-financed European defence sector is becoming fertile ground for investment. Luxembourg, known for its fund structuring expertise and agile regulation, is emerging as a prime hub for asset managers and venture capitalists exploring defence and dual-use technologies.

The EU is backing this shift with significant financial firepower. The European Defence Fund (EDF) has earmarked over €1 billion for collaborative R&D in 2025, while instruments like The European Defence Industry Reinforcement through common Procurement Act (EDIRPA) and The Act in Support of Ammunition Production (ASAP) reinforce industrial capabilities and cross-border procurement—vital for scaling start-ups and established suppliers alike.
Furthermore, EDIRPA, which promotes joint procurement by EU Member States, could significantly ease market entry for new suppliers—offering investors the prospect of more stable and predictable revenue streams.
Meanwhile, the Defence Equity Facility—launched by the European Investment Fund (EIF) with €175 million in InvestEU capital—is actively committing to VC and PE funds with a defence or dual-use thesis. The target: €500 million in mobilized capital by 2027.
From satellites to cybersecurity, and from battlefield AI to secure communications, the focus is broad. Generalist funds are also being encouraged to carve out partial defence strategies, boosting flexibility for asset managers.
Luxembourg's financial industry is already responding. Several local funds have started including defence allocations, while others explore launching dedicated vehicles. Following the domiciliation of the €1 billion NATO Innovation Fund in Luxembourg in 2023 and the growing ecosystem of deeptech start-ups, the Grand Duchy is becoming a magnet for institutional defence capital.

On the Ground: Luxembourg's Engagement in Focus

On March 27, 2025, the Chamber of Commerce hosted the 'Security and Defence Perspectives for Luxembourg Investors' event, coordinated by Luxinnovation and the Luxembourg Directorate of Defence with support from LPEA. The aim was clear: bring limited and general partners closer to the rapidly evolving defence landscape.
Speakers included Hélène Massard (Luxembourg Directorate of Defence), Volker Bäcker (European Commission), Federica Valente (EDA), Nicolas de La Vallée Poussin (EIF), and Ari Jonsson (NATO Innovation Fund). Their message: we need a clear and structured path for private capital to scale defence innovation across Europe.
The panel discussions revealed gaps—such as the absence of EU growth funds and the need for public-private synergy—as well as opportunities in AI, secure space communications, and autonomous technologies. Luxembourg start-ups including Tadaweb, LMO, and Uplift360 shared their journeys raising funds from VC for dual-use solutions, reinforcing the role of local capital in powering this transition.

Looking Ahead: Forecast for 2027 and Beyond

By 2027, defence will no longer be a niche thematic strategy. Europe is poised to institutionalize it across capital markets, with Luxembourg serving as both a structuring hub and thought leader.
We anticipate a rise in specialised Luxembourg-domiciled defence funds—both VC and PE—with increased backing from EIF, NATO-aligned LPs, and sovereign investors.
This is not just a trend. It's a structural shift. Defence is becoming a critical pillar of Europe's industrial policy—and private capital will be essential to its success. ●

... Seminar in Singapore

Sharon Lim (SVCA) and Stephane Pesch (LPEA)

Luxembourg Fund Industry Seminar in Mumbai

Serge Weyland (ALFI) and Stephane Pesch (LPEA)

Luxembourg Delegation meets the National Stock Exchange of India

... Seminar in Paris

François Desprez (Flexstone Partners), Fabrice Jeusette (KPMG), Raphael Eber (Stonehage Fleming) and Jean-Daniel Zandona (Arendt Investor Services)

Marc Ungeheuer, Ambassador of the Grand Duchy of Luxembourg in Paris

... Seminar in Hamburg

Laura Zahren (KPMG), Björn Hiller (Value & Risk), Jan Grabbe (Clifford Chance), and Oliver Marquordt (HANSAINVEST Real Assets)

... Seminar in Lisbon

Jefferson Oliveira (PwC) and Tatiana Itikawa (ANBIMA)

... Seminar in London

Arnaud Bon (Deloitte), Neil Hoyne (Ares Wealth Management Solutions), Anita Rana (Hamilton Lane), Kirti Kumar Motah (Brown Brothers Harriman)

... Seminar in Amsterdam

Mike Hentges Ambassador of the Grand Duchy of Luxembourg in The Hague

Thibaud Breger and Enkela Kosturi (Alter Domus)

PE Tech Day

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This section aims to share recent promotions and the career moves of Private Equity and Venture Capital professionals in Luxembourg. To those joining a new team, we wish you great successes ahead and we extend our congratulations to newly promoted individuals.

People on the Move

Yannick Arbaut
Partner
Simpson Thacher & Bartlett

Jean-Christian Six
Partner
Simpson Thacher & Bartlett

Paul van den Abeele
Partner
Simpson Thacher & Bartlett

Mickael Fischer
Sales & Client Relationship Director
IQEQ

Marc Tkatcheff
Partner
Herbert Smith Freehills

Christophe Santer
Director, Sales & Business Development
Bunch

People on the Way Up

Florence Forster
Partner
Linklaters

Meliha Dacic
Partner
NautaDutilh

Matthieu De Donder
Partner
MOLITOR

Thierry Somma
Luxembourg Country Head
Simmons & Simmons

Mélody Brunot
Partner
DLA Piper

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About LPEA

The Luxembourg Private Equity and Venture Capital Association (LPEA) is the most trusted and relevant representative body of Private Equity and Venture Capital practitioners with a presence in Luxembourg. Created in 2010 by a leading group of Private Equity and Venture Capital players in Luxembourg, with 633 members today, LPEA plays a leading role locally, actively promoting PE and VC in Luxembourg. LPEA provides a dynamic and interactive platform which helps investors and advisors to navigate through the latest trends in the industry. International by nature, the association allows members to network, exchange experience, expand their knowledge and grow professionally, attending workshops and trainings held on a regular basis. If Luxembourg is your location of choice for Private Equity, LPEA is your choice to achieve outstanding results. LPEA's mission towards its members is to represent and promote the interest of Private Equity and Venture Capital ("PE") players based in Luxembourg and abroad.
LPEA's mission towards Luxembourg is to support government and private initiatives to enhance the attractiveness of Luxembourg as an international hub for carrying out PE business and/or servicing the PE/VC industry in all its dimensions.
In summary, LPEA is the go-to platform where PE practitioners can share knowledge, network and get updated on the latest trends in the industry across the value chain.

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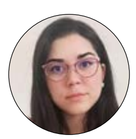
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