



Structuring & Market Trends Paper

LPEA Private Funds Committee

December 2025

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Foreword

Dear members, friends and partners,

I am delighted to share with you this new Structuring & Market Trends Paper, crafted by our Private Funds Committee.

More than just a technical overview, this publication tells the story of why Luxembourg continues to stand out as the home of choice for private markets. Our industry thrives on confidence, flexibility, and innovation, and Luxembourg delivers on all three.

From our trusted tax and regulatory environment to the unrivalled toolbox of fund structures, we provide solutions that adapt to investors' needs — whether global institutions, private wealth clients, semi-professional investors, or increasingly retail investors. When you add a community of seasoned experts, best-in-class service providers, and efficient cross-border distribution, it becomes clear why Luxembourg is the natural hub for Private Equity and beyond.

The chapters ahead highlight not only the dominant structures and tools at play, but also the trends shaping tomorrow: from the rise of evergreen funds to shifting investor preferences. What emerges is a clear picture: Luxembourg is not standing still. We are innovating, evolving, and helping to drive the global private markets industry forward.

I warmly thank the members of our Private Funds Committee for their expertise and dedication in preparing this paper. I hope you find it both useful and inspiring as you continue building the future of private markets with us.

Stephane Pesch
CEO of LPEA



About the Private Funds committee

The **Private Funds Committee** serves as a central platform within the LPEA to enhance clarity, dialogue, and stability across the private funds ecosystem. It engages closely with regulators to promote transparent, practical exchanges, while monitoring and interpreting regulatory and legislative developments to help stakeholders navigate their operational impact. Through surveys, reports, and roundtables, the committee fosters collaboration and insight-sharing across the industry, enabling members to understand how evolving rules shape market practices and trends. It also proactively identifies emerging regulatory drivers, provides informed guidance on targeted policy improvements, and draws inspiration from leading jurisdictions to strengthen Luxembourg's toolbox. By addressing regulatory gaps through FAQs, white papers, and other practical resources, the committee works to create greater legal certainty and minimize business disruption for the private funds community.

The Co-chairs of the Private Funds committee



**Jérôme Mullmaier,
Loyens & Loeff**



**Maria Rodriguez,
Arendt**



**Adrian Aldinger,
Arendt**

Glossary

AIF	means an alternative investment fund within the meaning of AIFMD
AIFM	means an alternative investment fund manager within the meaning of AIFMD
AIFM Law	means the Luxembourg law of 12 July 2013 on alternative investment fund managers, as amended from time to time
AIFMD	means Directive 2011/61/EU on alternative investment fund managers, as amended from time to time
CSSF	means the Commission de Surveillance du Secteur Financier, the Luxembourg regulator of the financial sector
ELTIF	means a European long term investment fund (ELTIF) established under the ELTIF 1.0 regulation (as amended by ELTIF 2.0)
ELTIF 1.0	means Regulation (EU) 2015/760 of the European Parliament and of the Council of 29 April 2015 on European long-term investment funds, as amended from time to time
ELTIF 2.0	means is Regulation (EU) 2023/606 of 15 March 2023 amending ELTIF 1.0
EU Retail Investor(s)	means investors who do not qualify as professional investors under AIFMD having their domicile or registered office in the European Union
EuVECA funds/managers	means European Venture Capital funds or managers, as governed by the EuVECA Regulation
EuVECA Regulation	means Regulation (EU) No 345/2013 of the European Parliament and of the Council of 17 April 2013 on European Venture Capital funds
PE	means private equity
RAIF	means a reserved alternative investment fund (RAIF), a collective investment scheme governed by the RAIF Law
RAIF Law	means the Luxembourg law of 23 July 2016 on RAIFs, as amended from time to time
SCA	means the société en commandite par actions, a tax opaque Luxembourg limited partnership regime with legal personality
SCSp	means the société en commandite spéciale, the tax transparent Luxembourg limited partnership regime without legal personality
SICAR	means an investment company in risk capital (SICAR) governed by the Luxembourg law of 15 June 2004 on SICARs, as amended from time to time
SIF	means a specialised investment fund (SIF) governed by the Luxembourg law of 13 February 2007 on SIFs, as amended from time to time
Part II UCI	means a CSSF regulated undertaking for collective investments governed by chapter II of the UCI Law
UCI Law	means the Luxembourg law of 17 December 2010 on undertakings for collective investments, as amended from time to time

Dear LPEA Members,

We are delighted to share with you our latest market trends paper. Our aim with this publication was to unpack the key forces shaping the launch of AIF products in today's vibrant, competitive, and complex environment. Luxembourg has long been recognized for punching above its weight in the global fund industry, but what's behind the continued influx of managers to the country, and how do they determine which structures best support their fundraising goals?

To help answer these questions, we conducted a deep dive into market data and the underlying dynamics driving product selection. Our analysis highlights the commanding lead of structures such as the **SCSp** and **RAIF**, which remain preferred options for institutional strategies, while the **Part II UCI** continues to play a vital role in addressing high end retail demand.

The Private Equity fund industry continues to grapple with persistent headwinds, geopolitical uncertainty and a still-elevated interest rate backdrop among them. Even so, some market segments are thriving: **secondaries vehicles** posted a record-breaking first half, raising over €80 billion. In contrast, overall industry fundraising is down 17% year-on-year, with €383 billion raised by mid-year (source: PEI) marking the weakest point since the COVID-19 pandemic.

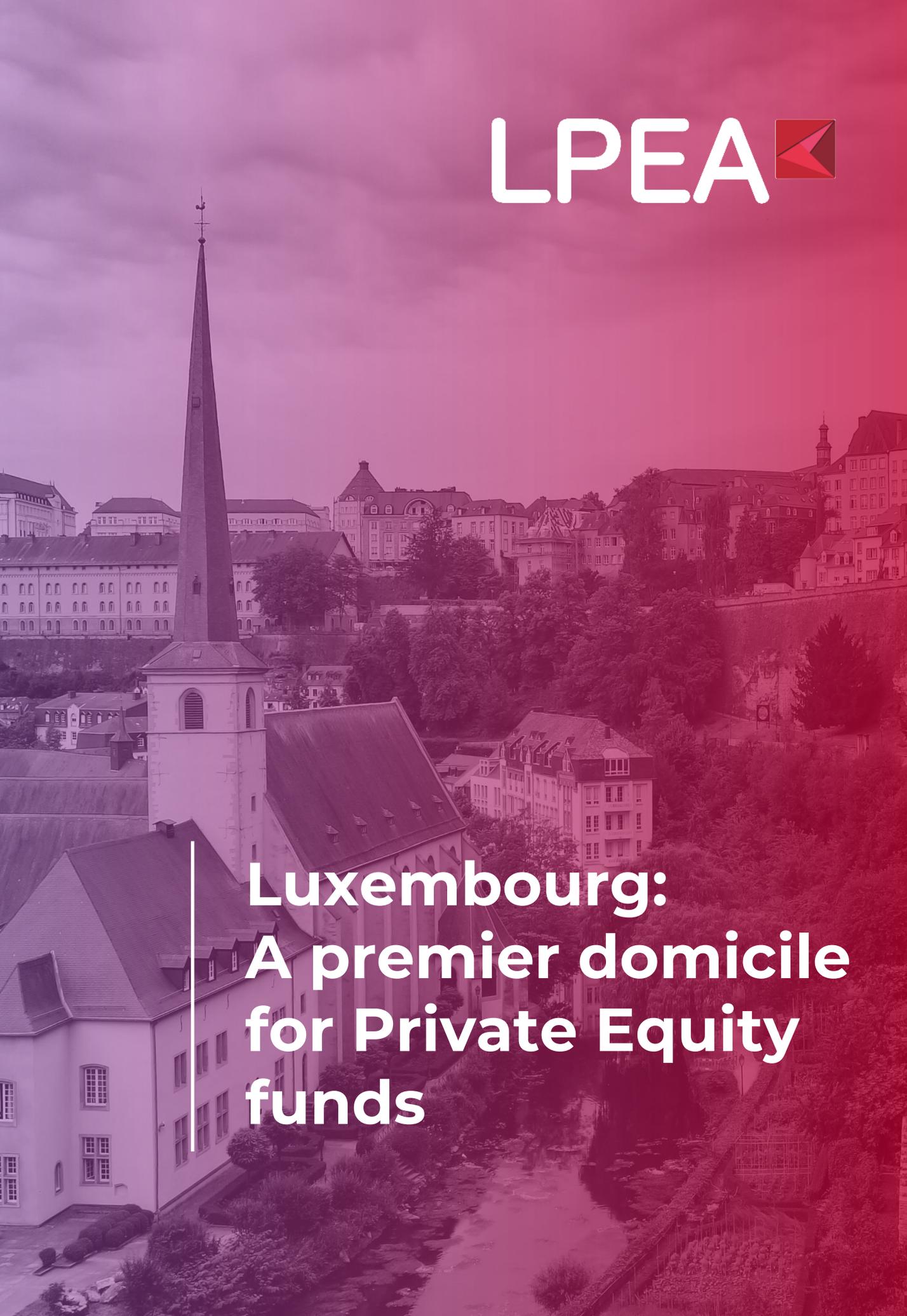
Liquidity needs from limited partners remain a recurring theme as managers work to break the deadlock and bring new vehicles to market. Alongside the surge in secondaries activity, **evergreen funds**, driven by the private wealth segment, continue to gain momentum. Hybrid structures, including **vintage** and **NAV-based vehicles with run-off mechanics**, are also on the rise. The ability to tailor solutions to investor needs is more critical than ever.

We extend our sincere thanks to **LPEA** and **Preqin** for their support in preparing this paper, and to all LPEA members who participated in the accompanying market sentiment survey, the findings of which are shared within. One standout takeaway: a moderate but steady improvement in the fundraising climate appears to be on the horizon. Luxembourg is exceptionally well positioned to benefit from this much-anticipated rebound.

We hope you enjoy the read,

Best wishes,

Jérôme Mullmaier, Maria Rodriguez & Adrian Aldinger
Co-Chairs of LPEA Private Funds Committee



LPEA 

**Luxembourg:
A premier domicile
for Private Equity
funds**

Luxembourg: A premier domicile for Private Equity funds

Global outlook

The choice of jurisdiction is driven by a combination of factors spanning across geographical footprint and regulatory and tax aspects, with different regions offering different benefits. The retained jurisdiction is of critical importance to prospective LPs as it can have a critical impact on the regulatory and tax situation of investors, hence why it dominates the GP/LP debate in the infancy of any fundraise project. A fund manager will usually establish separate primary vehicles to accommodate a different investors base, typically a Delaware or Cayman vehicle to admit US investors and a parallel Luxembourg or Irish sleeve to target European investors. In parallel, some large ticket investors requesting a separate managed account (typically stapled with their main fund investment) may look for different fund structures and GPs will offer structures accommodating their needs. Overall, the most popular jurisdictions for private capital funds are Delaware, Luxembourg and the Cayman Islands. Whether to favor one or the other usually comes down to a combination of familiarity and regulatory and tax aspects. To illustrate this, US investors are keen on using Delaware and the Cayman Islands while European investors would typically lean towards Luxembourg.

Different types of structures are generally considered by sponsors when embarking on a global fundraise:

- A master-feeder structure where LPs invest through a feeder vehicle designed to accommodate their regulatory and tax preferences (potentially shielding them from local tax filings requirements and the direct investments are channeled through the master fund)
- A standalone structure accepting commitments from a global investor base (US, European and other non-US investors) which has the benefit of simplicity but it potentially misses out on the benefit of combining multiple domiciles and structures (potentially hindering then the fundraising towards a larger pool of LPs)
- A parallel fund structure in which separate vehicles established in different domiciles co-invest alongside each other in the underlying investments. The benefits are the ability to address the demands of a broader and more global investor base. The flipside is the inevitable greater costs such a structure entails with multiple service providers across multiple jurisdictions.

Against this backdrop, Luxembourg has emerged as a pivotal player, particularly in the realm of private equity (PE) funds targeting European investors and/or investments. Known for its robust regulatory framework, tax efficiency, and strategic location in the heart of Europe, Luxembourg continues to attract a growing number of PE funds. Investor's familiarity stands out as a key driver to land on the chosen domicile.

There is a cost advantage to this as it streamlines due diligence over the fundraising process which can be reduced when opting for a well-trodden path such as Luxembourg for European investors. The compelling view is that this will facilitate compliance with EU based regulations and make the launch and day to day operations of the fund smoother.

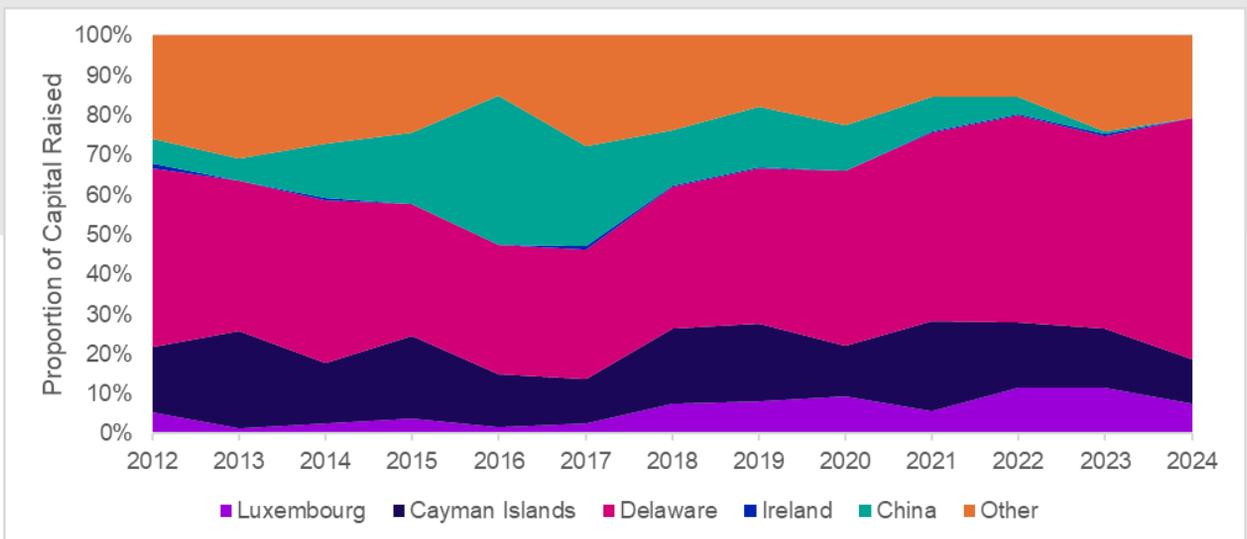
Data Analysis (some figures)

The analysis presented in the following paragraphs has been conducted using data provided by Preqin and released in 2024 in their *Private Capital Fund Domiciles Report*. This comprehensive dataset has enabled a thorough examination of the relevant trends and patterns such that any insights and conclusions drawn are based on the most current and accurate information available.

As part of the key takeaways, Delaware stands out as the leading domicile with 61% of fundraising throughout 2024 across all asset classes being domiciled there. Conversely, 19% of the capital raised in 2024 was channeled through either Cayman Islands and Luxembourg vehicles, well behind Delaware’s commanding lead which increased by 9% over the last 2 years.

Preqin’s data reveals that Luxembourg is home to a diverse array of PE funds, ranging from Venture Capital to real assets funds. The total AUM of these funds has seen a steady increase, reflecting both organic growth and the influx of new funds. This trend is indicative of Luxembourg's ability to attract and retain investment vehicles seeking a stable and efficient domicile.

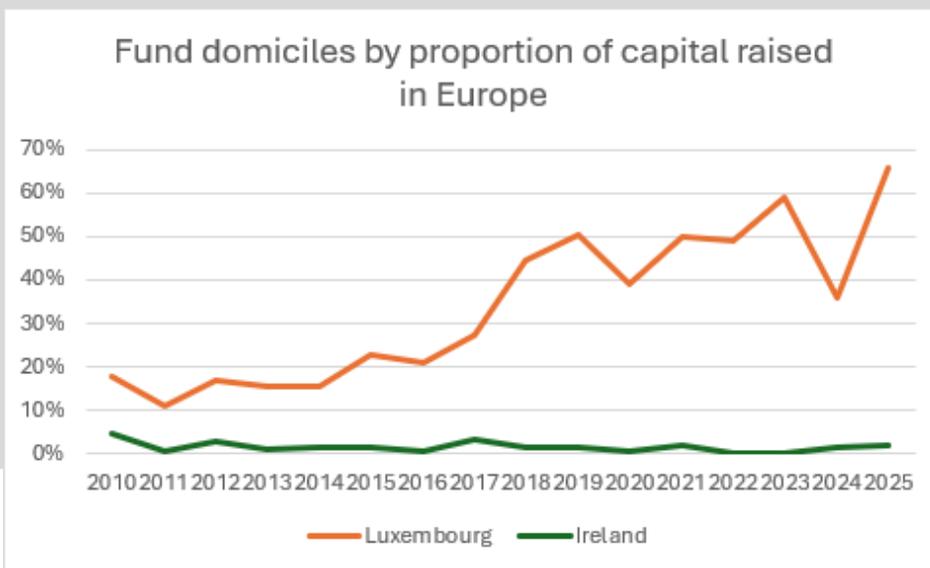
Fund domiciles by proportion of Private Equity capital raised



Source: Preqin

PE funds sponsors have long favored Delaware as their primary domicile due to its business-friendly legal framework, well-established case law, familiarity to US investors and efficient court system. Delaware's dominance in the PE fund landscape is largely attributed to these factors, which provide a stable and predictable environment for fund managers and investors alike. 61% of all private capital was raised through Delaware vehicles in 2024, well ahead of the Cayman Islands, the runner up with 11% of the capital raised. This commanding position is even more prevalent for fundraise targeting a US investors base with 74% of the capital raised through Delaware vehicles from 2010 to 2022. However, Luxembourg has emerged as a strong contender for non-US focused offerings, particularly for funds looking to establish a presence in Europe and on the lookout for European investors and/or investments. Delaware actually lags behind Luxembourg for funds focused on investment in Europe. Luxembourg's robust regulatory framework, coupled with its strategic location in the heart of Europe, makes it an attractive alternative for PE funds seeking to tap into European markets. This has resulted in a significant share of PE funds choosing Luxembourg as their domicile, especially for those with a global or European focus.

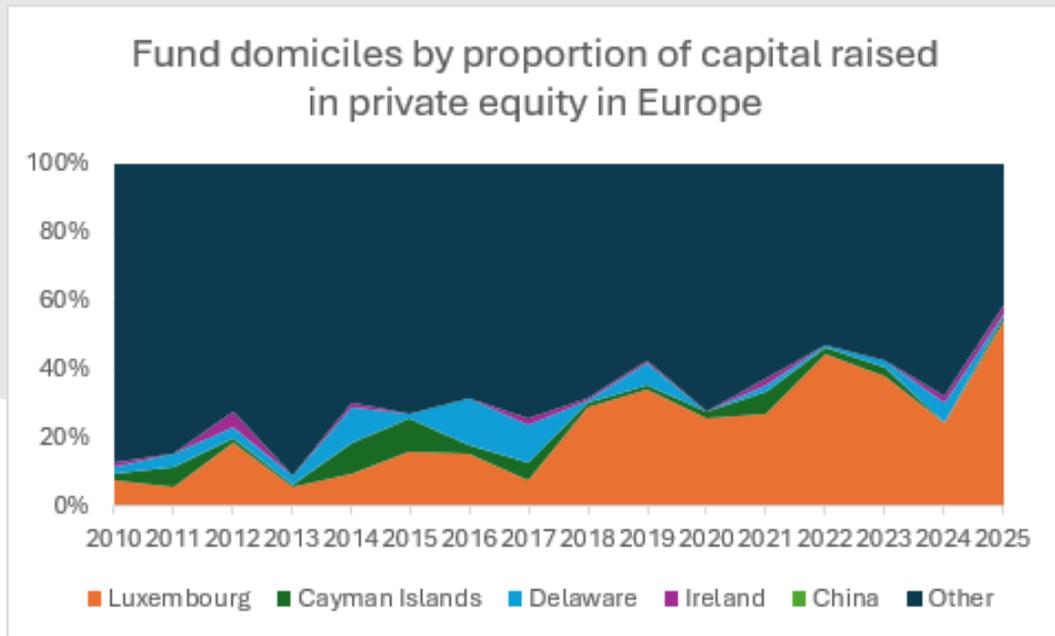
Fund domiciles by proportion of capital raised in Europe



Source: Preqin

In the European context, Luxembourg is leading the pack as the premier destination for PE funds raising capital in Europe. With 58% of the capital raised in Europe using Luxembourg vehicles in 2023, it largely surpasses other jurisdictions such as Ireland. While Ireland offers certain advantages, such as a favorable tax regime, a skilled and English native workforce and now a modernized and reshaped partnership regime, the narrative around Dublin becoming a strong contender to Luxembourg seems somewhat overstated. Historically, Ireland has never accounted for more than 4% of funds raised in any period between 2010 to 2024. Conversely, Luxembourg has over time steadily increased its footprint and dominance over European fundraise with a notable and rapid acceleration post Brexit leading up to the 2023 peak of 58% of the capital raised in Europe. After a sharp decline in 2024, driven primarily by an imbalance between US and European fundraising levels, recent data from 2025 shows Luxembourg's market share rebounding strongly, surpassing its 2023 level and now exceeding 60%

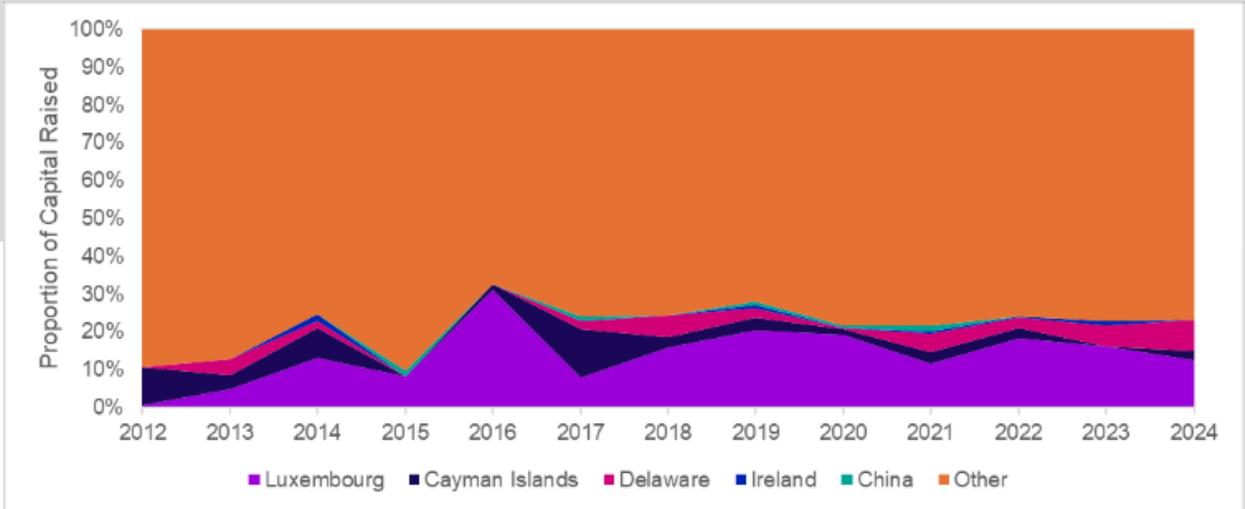
Fund domiciles by proportion of capital raised in Private Equity in Europe



Source: Preqin

Since 2016, there has been a noticeable shift towards Luxembourg as the preferred domicile for PE funds raised in Europe. Over the past decade, Luxembourg's market share climbed from just under 20% to a peak of 54% in 2023. However, it experienced a dip in 2024, to settle at 32% by year-end. The upward trend until 2023 can be attributed to several factors but a critical factor was the sponsors desire to rely on the AIFMD marketing passport which (still) requires to combine a European fund with a European manager. With its extensive range of third party AIFM providers, Luxembourg was well placed to accommodate UK sponsors on the lookout for "rent an AIFM" solutions. Some large cap managers with an existing Luxembourg presence have upgraded their local staff into a full-fledged sponsor owned AIFM through which they manage Luxembourg AIFs and market these across the EU. Luxembourg's stability, proactive stance in adapting to regulatory changes and commitment to maintaining a competitive edge in the alternative investment industry have made it an obvious choice for fund managers with a strong European nexus. The sudden dip throughout 2024 is primarily due to a fundraising imbalance between the US and Europe over the past 12 months, with US sponsors (who typically prefer Delaware vehicles) dominating the landscape. Notably, Luxembourg's reduced market share did not translate into gains for other European domiciles, but rather benefited Delaware, underscoring the impact of this transatlantic disparity. Put differently, there were more fund launches in the US than in Europe over the last two years and many US sponsors managed to secure European LP's commitments through Delaware vehicles – it was often felt that the European market was too constrained to warrant the launch of a standalone European fund sleeve alongside a Cayman or Delaware fund. Recent data from 2025 however indicates a strong rebound for Luxembourg, with its market share climbing past the 60% mark, a new peak. This points to a gradual yet steady improvement in fundraising conditions across Europe.

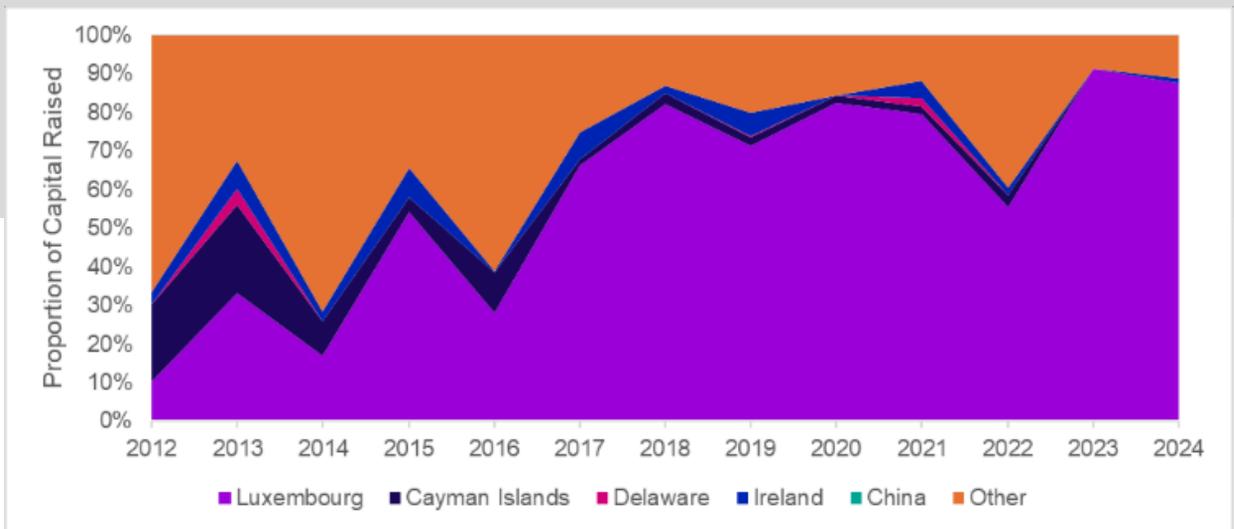
Fund domiciles by proportion of capital raised in Venture Capital in Europe



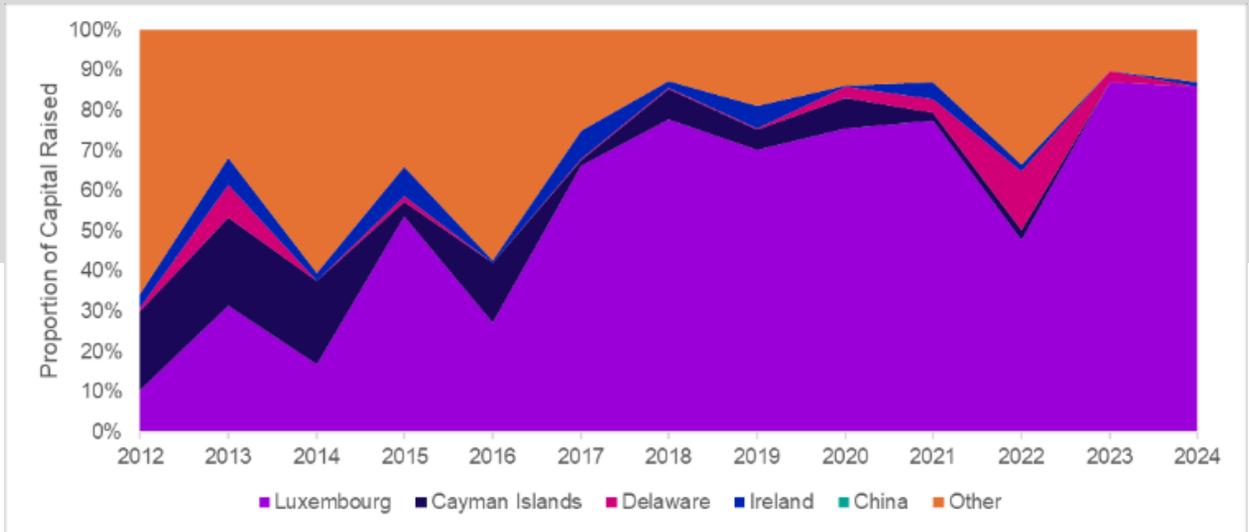
Source: Preqin

Venture Capital funds shows a dispersion of jurisdictions and is the only outlier where Luxembourg does not dominate the rankings. With 13% of the aggregate capital raised in Europe in 2024, Luxembourg sits behind France which averaged 16% between 2010 and 2022 and is just ahead of the UK who represents 12% of the total capital raised.

Fund domiciles by proportion of capital raised in Private Debt in Europe



Source: Preqin



Source: Preqin

In contrast, Luxembourg is also a top player in the Private Debt sector with an undisputed leading position representing 86% of the total capital raised by European debt funds in 2024, down slightly from 87% in 2023 but significantly above the 48% mark in 2022. Part of this is due to the significant increase of Private Debt as an industry over this period. Another consideration which underpins Luxembourg's dominance is the pivotal role of interest income and other distributions and tax considerations which take center stage when raising credit funds (and more so than in a PE fund context). With that in mind, investors are more selective to ensure that they limit their tax exposure and Luxembourg appears as the standout jurisdiction to achieve this.

Key Factors Contributing to Luxembourg's Popularity

1. Regulatory Environment and toolbox

Luxembourg continues to stand out as a premier jurisdiction for PE funds, thanks to its unique blend of regulatory flexibility and alignment with European standards. Anchored in the AIFM Law, the country gained significant traction following the 2013 introduction of the Special Limited Partnership (SCSp), which coincided with the implementation of the AIFMD. The SCSp offers features akin to Anglo-Saxon partnership structures, such as those found in Cayman or Delaware, making it highly attractive to international sponsors.

Crucially, the SCSp can be launched as an unregulated fund, either as a standalone alternative investment fund (AIF) or under a RAIF wrapper, provided it is managed by a full-scope EU investment manager. This setup enables access to the AIFMD marketing passport, facilitating cross-border distribution within the EU.

Luxembourg also offers regulated fund vehicles like the SICAR and SIF regimes, which historically provided sponsors with strategic flexibility under the supervision of the CSSF. However, these structures have seen declining momentum since the 2016 introduction of the Reserved Alternative Investment Fund (RAIF). The RAIF mirrors the features of SICAR and SIF but operates without direct regulatory oversight, allowing for faster time-to-market while still benefiting from the AIFMD framework.

For sponsors pursuing evergreen strategies or targeting private wealth and retail-oriented audiences, “Part II UCIs” have seen renewed interest, offering a regulated yet versatile option.

Luxembourg’s status as an EU Member State further reinforces its appeal, particularly in the post-Brexit landscape where the UK has lost ground due to lost access to the AIFMD passport. While some funds continue to domicile elsewhere, Luxembourg’s dominance remains resilient. Its deep familiarity with fund structuring and regulatory nuance gives it a competitive edge, even as other jurisdictions attempt to modernize their frameworks.

Looking ahead, Ireland may emerge as a viable challenger. Though its current market share is modest, Ireland’s favorable positioning for offshore corporates and liquid funds (combined with ongoing reforms of its AIF rulebook and partnership regime) could enable it to evolve into a compelling hub for private capital

2. Tax Efficiency and stability

Luxembourg’s tax regime is a key pillar of its attractiveness to PE funds, offering a sophisticated blend of incentives that support efficient fund structuring and investor returns. Among its most compelling features is the participation exemption regime, which enables tax-neutral repatriation of qualifying dividends and capital gains. This mechanism allows fund managers to optimize tax outcomes across jurisdictions, reinforcing Luxembourg’s appeal as a base for global investment operations.

The country’s expansive network of double taxation treaties (spanning more than 80 jurisdictions) further enhances its tax planning capabilities. These treaties mitigate the risk of double taxation on cross-border investments, facilitating smoother capital flows and reinforcing Luxembourg’s role as a trusted international financial center.

In addition, Luxembourg’s tax environment supports streamlined passthrough structures for limited partners (LPs), minimizing friction and complexity in fund design. By combining treaty access, targeted exemptions, and investor-friendly structuring options, Luxembourg offers a tax landscape that is both robust and responsive to the needs of modern PE sponsors.

3. Infrastructure and Expertise

Luxembourg boasts a sophisticated and fully integrated financial services infrastructure, offering a solid foundation for the operation and growth of Private Equity (PE) funds. The country hosts a broad spectrum of specialized service providers (including top-tier law firms, accounting firms, third-party AIFMs, and fund administrators), all with deep expertise in fund structuring, governance, and cross-border management.

This robust ecosystem is powered by a highly skilled, multilingual workforce adept in the nuances of international finance and investment. Luxembourg’s multicultural talent pool enables seamless service delivery to a global clientele, reinforcing its reputation as a truly international fund hub.

Policymakers remain acutely aware of the strategic importance of the fund industry to the national economy, consistently enacting legislation that supports its continued growth. Recent tax initiatives underscore this commitment, including the introduction of an impatriate regime to attract front-office professionals, a profit participation scheme tailored for AIFMs, and a competitive carried interest framework for Luxembourg-based executives.

Luxembourg also demonstrates a forward-looking approach to financial innovation. The government actively promotes the development of a digital financial ecosystem, with targeted support for fintech and digital finance initiatives. These efforts ensure that Luxembourg remains at the cutting edge of financial services, blending tradition with technological advancement to meet the evolving needs of the global investment community.

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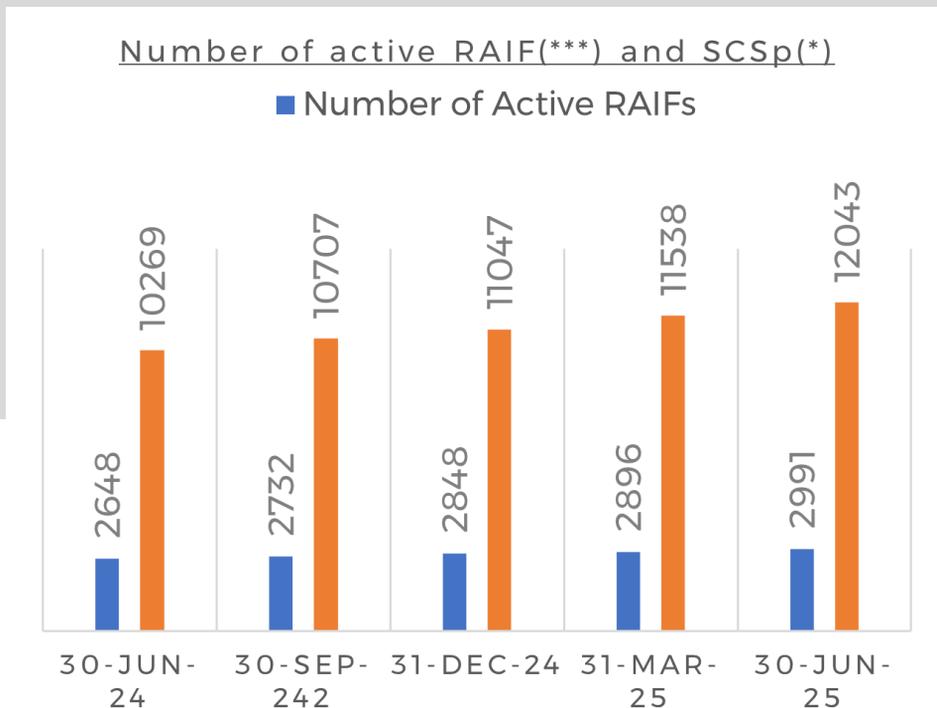
**Dominant
structures for
institutional
investors**

Dominant structures for institutional investors

RAIF and SCSp – the undisputed leading duo

Over the past decade, both the SCSp and the RAIF have become cornerstone vehicles for “institutional” focused fundraises. While each offers distinct advantages, the SCSp holds a clear edge in certain contexts, thanks to a combination of highly sought-after features:

- its tax transparency;
- its lighter legal & regulatory overlay; and
- the SCSp’s structural affinity with common law partnerships, characterized by broad contractual flexibility, makes it a natural choice for Anglo-Saxon sponsors. It is frequently used to roll over Delaware or Cayman fund structures into a European sleeve, whether as a feeder or parallel fund. The SCSp allows for near-identical replication of the original fund documentation, with only minimal adjustments typically required to align with Luxembourg legal and regulatory standards. As a result, the “look and feel” of the fund documents across both jurisdictions (EU and non-EU) remains highly consistent, ensuring operational continuity and investor familiarity.



(*) AIF and non-AIF combined

(***) Does not include the number of sub-funds of umbrella RAIFs

Source: Preqin

A RAIF is often favored over a SCSp in the following scenarios:

- Sponsors seeking a fund structure with compartments
- Sponsors seeking a tax opaque structure. It is commonly used in multi-layered setups, such as a master SCA RAIF serving as the investment platform beneath a feeder SCSp. In some cases, the SCA RAIF also acts as the investor-facing entity, pooling limited partners who require a tax opaque structure.
- Sponsors aiming to replicate the features of a CSSF-regulated fund (e.g., SIF or SICAR) without undergoing full regulatory oversight often choose the RAIF. The RAIF framework closely mirrors the regulatory regimes of SIFs and SICARs, offering similar operational flexibility in an unregulated format.
- RAIFs are well-suited for sponsors targeting a broader investor base, including semi-professional investors, provided local private placement rules are met. In jurisdictions like Germany and the Netherlands, AIFs are not required to be regulated if the minimum investment threshold is respected (e.g., EUR 200,000 for German semi-professional investors). For high-end retail investors investing below EUR 100,000, or where local rules mandate a fully regulated AIF, a Part II UCI (with or without an ELTIF wrapper) is typically more appropriate.

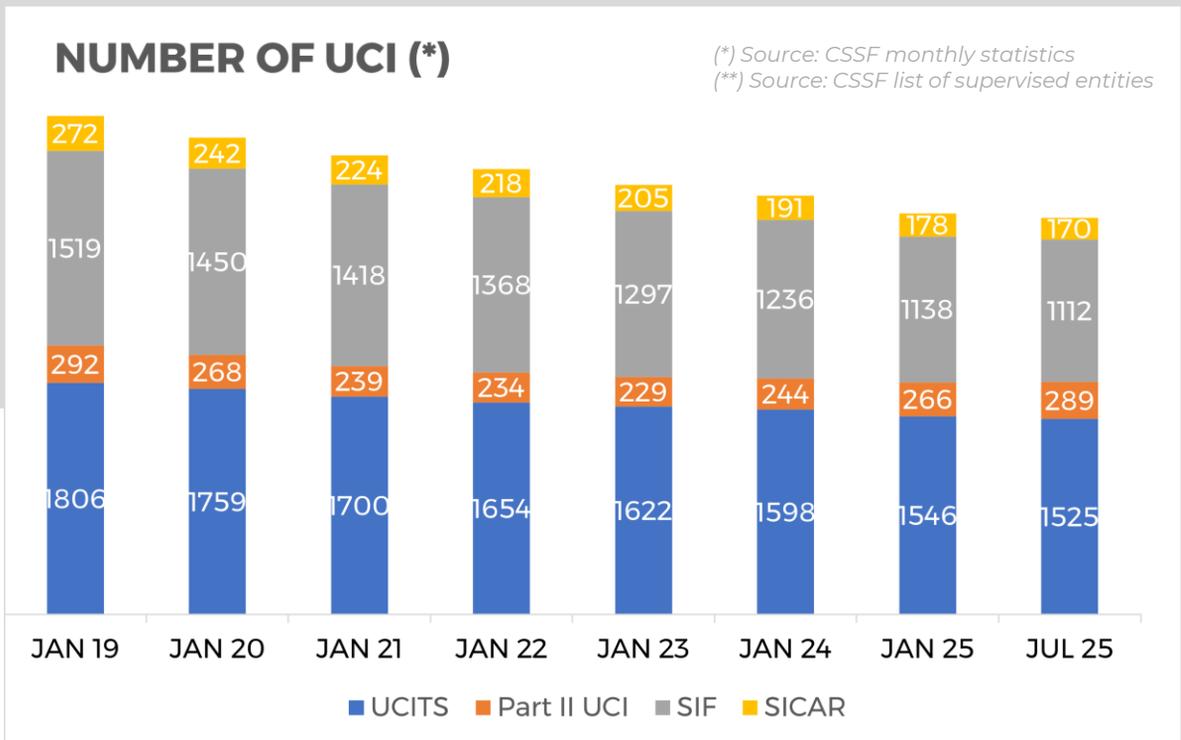
The SCSp and the RAIF are the undisputed leading vehicles for institutional LPs with as at June 30, 2025 close to 3000 RAIFs registered on the LBR RAIFs list and over 12,000 SCSps (AIFs and non-AIFs combined) established.

The commanding position of the SCSp is well established as it makes up over 65% of the total number of RAIFs and unregulated SCS(p)s combined.



Regulated funds – on a continued and accelerating declining trend (excluding EU Funds labels, such as ELTIFs)

Regulated fund structures have experienced a sustained and accelerating decline over the past five years, with the exception of EU-labelled vehicles like ELTIFs. Since 31 December 2019, the number of newly authorized SIFs and SICARs has dropped sharply (only 94 SIFs and 24 SICARs were approved by the CSSF during this period) (*). A notable outlier to this downward trend is the resurgence of the Part II UCI, which has gained traction among private wealth sponsors and intermediaries. Since 31 December 2019, 124 Part II UCIs have been authorized by the CSSF (**), with over 40% of the total Part II UCIs launched in just the past five years.



Source: Preqin

Some remaining drivers for regulated funds (or labels)

Diminishing Branding Power of SIF/SICAR The market perception of CSSF-regulated SIF and SICAR products has weakened, as the RAIF framework effectively replicates their features in an unregulated format. Professional investors increasingly view indirect regulatory oversight at the AIFM level as sufficient, reducing the perceived need for direct CSSF supervision of the fund itself.

Tax-Driven Use Cases for SIF/SICAR Despite the declining trend, certain tax considerations still favor the use of regulated vehicles. For example, the SIF is commonly employed for French real estate investments to benefit from reduced withholding tax. This hinges on an “equivalence” test with French regulated funds, which the SIF satisfies (unlike RAIFs, whose eligibility remained uncertain for some time).

Family Office Adoption SIFs and SICARs continue to appeal to family offices, drawn by their stable tax treatment and the option to structure these vehicles as non-AIFs. Since third-party fundraising is typically not pursued, AIF status offers limited added value in this context.

Rise of the Professional ELTIF While the ELTIF label is primarily designed to attract EU retail investors, it has gained traction among professional investors as well. In such cases, many of the diversification requirements can be bypassed. Insurance companies are particularly interested due to the favorable Solvency II treatment as ELTIFs qualify for the “liquid investment” bucket. Additionally, the EU-wide lending passport has sparked interest among Private Debt sponsors, although this momentum may taper once AIFMD II is fully implemented.

Part II UCI: A Semi-Retail Gateway The Part II UCI regime is increasingly favored by private wealth sponsors aiming to access semi-retail investors, either directly or via intermediaries. Adding the ELTIF label can further broaden the investor base and unlock tax incentives in selected jurisdictions such as France and Italy.

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**Dominant
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Dominant structures for private wealth and semi-retail/professional investors

PE's Shift's Toward Private Wealth and Retail Investors

Beyond their traditional focus on institutional capital, many leading PE managers have strategically developed private wealth divisions to attract high-net-worth individuals and increasingly, more mainstream investors. This pivot reflects a growing appetite for private market exposure among retail-oriented segments, especially as access to institutional capital becomes more constrained.

In parallel, intermediaries such as private banks, wealth managers, and fintech platforms have launched access funds and bespoke feeder vehicles to tap into this expanding investor base. A 2023 PwC survey underscores the momentum: firms anticipate that private assets will account for up to 50% of asset and wealth management revenues by 2027, up from 37.6% in 2020.

For PE managers seeking to engage “retail-like” investors, the EuVECA Regulation’s €100,000 minimum investment threshold often proves prohibitive. In contrast, the revamped ELTIF regime (commonly referred to as ELTIF 2.0) offers a more accessible and flexible framework. Increasingly, PE sponsors are leveraging the ELTIF label to market their funds to a broader audience, including high-net-worth and retail investors. ELTIFs typically invest in parallel with, or as feeders to, traditional PE funds targeting institutional capital.

As a European label, ELTIFs must be managed by fully authorized AIFMs and benefit from a marketing passport to EU retail investors. ELTIF 2.0 introduces two distinct fund categories: “professional” and “retail” with the latter subject to more stringent requirements around diversification and leverage. These safeguards are designed to ensure adequate investor protection, given the inherent risks of alternative investment fund (AIF) products.



Complementing this trend, Luxembourg's Part II UCI regime has gained traction among PE sponsors targeting less sophisticated investors. Over the past two years, the regime has undergone a significant modernization, dubbed the "Part II UCI Upgrade." Funds can now be structured as partnerships (e.g., SCA or SCSp) and adopt a PE-style subscription model, issuing shares at a fixed price with equalization charges applied at subsequent closings. Previously, shares had to be issued at net asset value (NAV), a requirement that proved challenging in a PE context.

The Luxembourg Part II UCI regime relates to collective investment undertakings subject to Part 2 of the Luxembourg UCI Law. The Part 2 UCI is a regulated fund subject to CSSF supervision which qualifies as an AIF and that can be marketed to any investor investing at least (per regulatory practice) EUR 25,000 subject to compliance with local placement regime across the EU Member States in which the vehicle is marketed. Paired with an ELTIF wrapper, the minimum ticket falls away and the vehicle can be marketed under a marketing passport to EU Retail Investors across the EU.

The Part II UCI Upgrade, among other changes, was effected by a Luxembourg law of 21 July 2023 amending notably the Luxembourg AIFM Law and UCI Law. Before the amendment, Part II UCI had to be established as FCP or SA, now partnership structures (such as the SCSp, SCS and SCA) are also available. Part II UCIs no longer have to issue their shares at NAV, a fixed price can be applied.

Comparative Overview: Retail Fund Regimes in Luxembourg

Luxembourg offers a versatile array of fund structuring options tailored to the private wealth segment and semi-retail investor base. The choice of vehicle largely depends on the profile of the target investors specifically, how far into the retail spectrum the fund sponsor intends to go. This strategic decision influences not only the regulatory framework but also the marketing reach and operational flexibility of the fund.

Among the most widely used vehicles are the RAIF, the Part II UCIs, and the European Long-Term Investment Fund (ELTIF). Of these, the Part II UCI regime has emerged as the dominant structure for products with a “retail-like” orientation. Notably, it can be paired with an ELTIF wrapper to unlock the benefits of the EU-wide marketing passport to retail investors, offering both regulatory robustness and distribution efficiency.

Here’s a high-level summary of the key regulatory characteristics and marketability features across the main retail fund regimes.

	Suitable to tap into EU retail market?	Suitable to tap into EU high-end (>EUR 100K) retail market?	Are there any investment restrictions?
RAIF (unregulated)	Not suitable, as RAIF is not eligible for EU Retail Investors	May be suitable, subject to NPPR analysis	Not material, very light diversification rules
Part II UCI (regulated)	Suitable, subject to EU private placement rules which are typically “friendly” for Part II UCI	Suitable, subject to private placement rules which are typically “friendly” for Part II UCI	Restriction apply, but are workable
ELTIF + RAIF (regulated)	Not suitable, as RAIF is not eligible for EU Retail Investors	Suitable as passported, as RAIF is eligible for EU high-end retail	ELTIF inspired and restrictive (concentration and diversification limits)
ELTIF + Part II UCI (regulated)	Suitable	Suitable	ELTIF inspired and restrictive (concentration and diversification limits)

RAIF Limitations in Retail Distribution

While the RAIF offers flexibility and speed in fund structuring, it is generally not suitable for broad retail distribution due to its lack of access to the EU retail passport. Nonetheless, RAIFs may be marketed to high-net-worth individuals under certain national private placement regimes, provided the minimum investment threshold of €100,000 is met. Some EU Member States, such as Germany and the Netherlands, permit local investors to access unregulated AIFs like RAIFs, contingent on meeting high investment minimums. However, many jurisdictions impose stricter requirements, mandating that funds be regulated in order to engage with retail investors. In such cases, the regulated Part II UCI remains the most viable option for sponsors targeting a retail-like investor base.

Part II UCIs: A Versatile “One-Size-Fits-All” Solution

Part II UCIs offer broad accessibility across the EU and are well-suited for both retail-oriented and high-net-worth investors. With a relatively low minimum investment threshold of €25,000, they strike a balance between inclusivity and sophistication. The regime also features pragmatic diversification requirements –(typically around 20%) making it a flexible yet regulated option for sponsors targeting a semi-retail investor base.

Optimizing EU Retail Access Through ELTIF Labeling

For fund sponsors prioritizing access to the broader EU retail market, combining a Part II UCI with the ELTIF label presents a compelling solution. This pairing unlocks the EU marketing passport to retail investors, effectively removing the €25,000 minimum investment requirement typically associated with standalone Part II UCIs. However, this advantage comes with trade-offs: the ELTIF framework imposes stricter rules around investment restrictions, diversification thresholds, and leverage limits (particularly for retail-class ELTIFs).

For products targeting high-net-worth individuals, an alternative strategy involves adding the ELTIF label to a RAIF. This structure becomes eligible for the EU passport provided each investor commits at least €100,000, aligning with the thresholds set under the ELTIF regime while preserving the RAIF’s inherent flexibility.

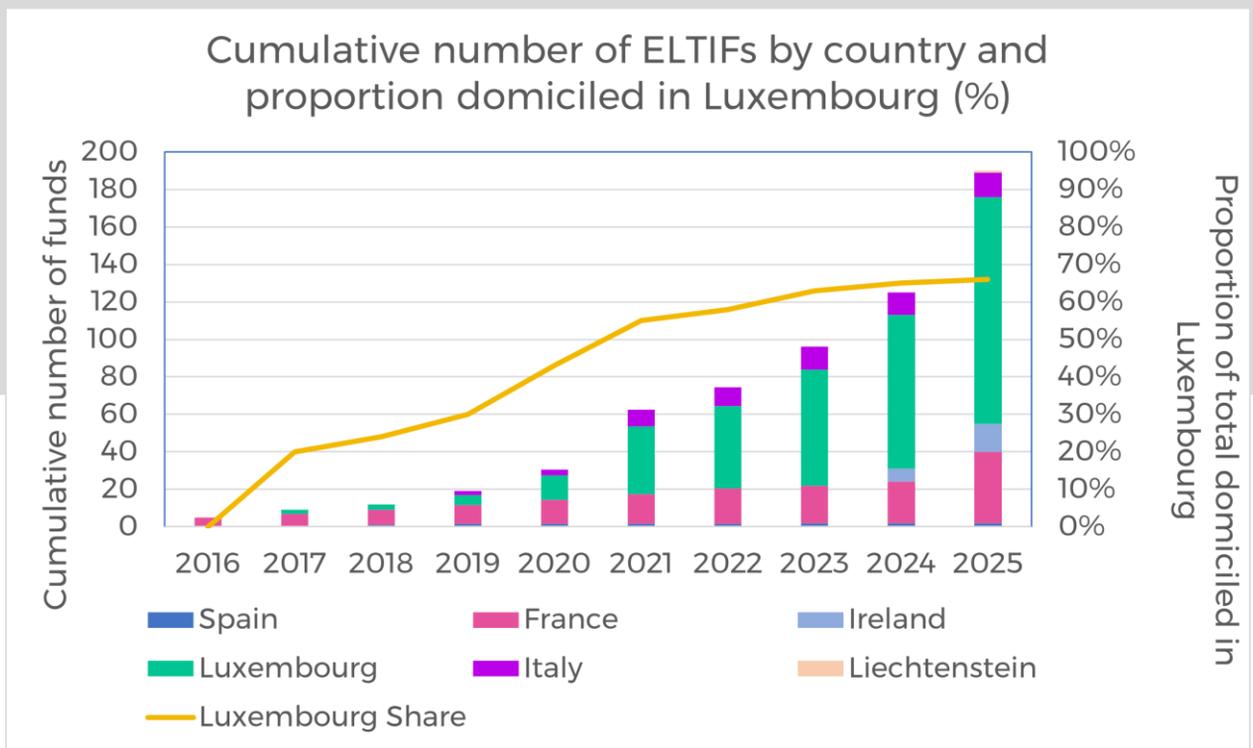
Luxembourg’s Dominance in Retail AIFs and the Limits of Cross-Border Harmonization

Luxembourg has established itself as the undisputed leader in the retail AIFs space, particularly for vehicles with cross-border distribution ambitions. The modernization of the ELTIF regime has further accelerated this trend, with over 60% of European ELTIFs domiciled in Luxembourg as of June 2025 which reflects a clear testament to the jurisdiction’s appeal in meeting rising retail demand.

However, local regulatory constraints and jurisdiction-specific incentives remain significant barriers to full harmonization. A Luxembourg-domiciled product, while powerful, is not always a universal solution. For example, accessing retail investors in France typically requires the use of a French-domiciled vehicle, and in Spain and France, certain tax benefits are reserved exclusively for domestic products. These national nuances undermine the EU’s broader efforts to create a level playing field for retail investment in AIFs across Member States.

The European Commission is intensifying its efforts to eliminate barriers to the cross-border distribution of ELTIFs. A Q&A on the ELTIF Regulation is currently in development and is expected to clarify that Member States cannot impose restrictions on access to European long-term investment funds across borders, effectively curbing national protectionist measures within the bloc.

The industry is watching closely, hopeful that this guidance will help remove obstacles that have hindered ELTIFs from achieving scale. Overall, Luxembourg’s leadership is clear, but navigating the fragmented regulatory landscape remains essential for sponsors seeking pan-European retail reach.



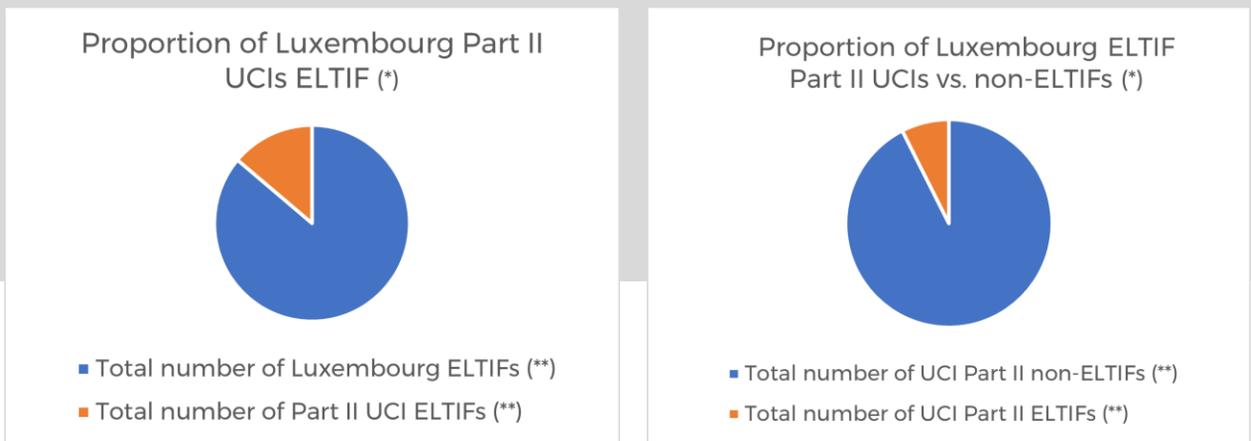
Source: Preqin

The resurgence of Luxembourg’s Part II UCI regime has been significantly propelled by the adoption of the ELTIF label. As of 31 August 2025, over 75% of Luxembourg-domiciled ELTIFs are structured as Part II UCIs, underscoring the regime’s dominance in retail-oriented fund offerings. Conversely, approximately 7% of all Luxembourg Part II UCIs have been authorized under the ELTIF framework, reflecting a selective but strategic use of the label.

The Part II UCI has emerged as the preferred platform for retail distribution, thanks to its ability to accommodate a wide range of investor profiles. Its flexibility allows for umbrella fund structures, where certain compartments adopt ELTIF status while others remain under the standalone Part II UCI regime depending on the specific needs of each investor segment.

Given that the standalone Part II UCI framework is comparatively lighter than ELTIF standards (particularly regarding leverage and diversification constraints), a well-established market practice is to default to the Part II UCI structure and apply the ELTIF wrapper only when targeting genuine EU retail investors investing below €25,000.

This modular approach offers sponsors a high degree of adaptability. The growing popularity of umbrella Part II UCIs that combine “standard” sub-funds with ELTIF-labeled compartments is a testament to this trend. Notably, over 70% of Luxembourg ELTIFs are currently structured as sub-funds within Part II UCIs, reinforcing the regime’s central role in shaping the future of retail private market access.



(*) As at 31 August 2025

(**) Sources: CSSF monthly statistics; ESMA ELTIF register

Source: Preqin

Time-to-market comparison

Part II UCIs are fully regulated funds under the direct supervision of the CSSF. Before launch and subscription, they require prior CSSF authorization; a process that fund managers must carefully factor into their timelines. As of February 2025, CSSF data indicates that 36% of applications are processed within three months, while 33% fall within the three-to-six-month range, making the average review period approximately 3–6 months.

RAIFs, by contrast, are unregulated vehicles that only require CSSF involvement when adopting the ELTIF label. This allows for significantly faster time-to-market, and when the ELTIF wrapper is added, CSSF turnaround times are generally swift and predictable.

To balance speed and investor reach, some sponsors adopt a **two-step strategy**: launching initially as a standalone RAIF to expedite market entry, with the option to convert into a regulated Part II UCI later if demand from deeper retail segments emerges. This phased approach enables managers to optimize both regulatory alignment and investor eligibility over time.

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**The Evergreen
(r)evolution**

The Evergreen (r)evolution

Evergreen capital funds have surged to a record high of \$350 billion, according to Preqin, signaling a major shift in the private markets landscape. Their growing popularity reflects a broader investor appetite for liquidity, flexibility, and capital efficiency, especially in contrast to the rigid commitment/drawdown/distribution model of traditional closed-end funds.

Investor Appeal: Liquidity and Flexibility

Evergreen funds offer enhanced investment and redemption rights, enabling investors to manage cash flows more dynamically. This flexibility simplifies allocation pacing and minimizes cash drag by keeping capital continuously deployed. Crucially, the absence of a 10–12-year lockup period is a key driver of investor interest, particularly among those seeking more agile capital deployment.

GP Advantages: Fundraising and Portfolio Management

From the sponsor’s perspective, evergreen structures provide an opportunity to raise capital outside the traditional fundraising cycle and expand the investor base. By removing the constraints of long-term lockups, managers gain access to a broader universe of investible assets and can appeal to investors with liquidity sensitivities.

Evergreen funds also offer a solution to the challenges of “end-of-term” investments. Unlike closed-end funds that may require forced exits, evergreen structures allow managers to continue deploying capital into new or add-on opportunities without time pressure. While side pockets and continuation vehicles exist as alternatives, they often require LP approval and entail additional complexity and cost.

Evergreen Fund Models: Structural Variants and Investor Fit

Evergreen structures come in several formats, each tailored to different investor profiles and portfolio strategies:

Model Type	Description	Investor Fit
NAV-Based Open-Ended	Continuous subscriptions/redemptions at NAV; high liquidity	Private wealth / semi-retail
Hybrid Structures	Blend features of open- and closed-end funds; moderate liquidity	Mixed investor base
Vintage Funds	Closed-end style with rollover options; capital permanence with staged liquidity	Institutional investors

The overarching goal of these models is to provide sponsors with long-term capital stability while offering investors varying degrees of liquidity. The choice of structure depends on:

- **Liquidity profile** of the underlying portfolio and alignment with redemption windows
- **Target investor base**, whether institutional, private wealth, or semi-retail
- **Positioning within the broader fund complex**, NAV-based models are common for flagship evergreen products, while vintage funds are often used alongside traditional closed-end vehicles

Vintage model

Closed-End Fund Mechanics: Structured similarly to traditional closed-ended funds, vintage evergreen models include defined fundraising windows, investment periods, and waterfall distribution frameworks

Rolling Vintage Design: These vehicles feature a series of segregated vintages within the same fund, each with its own investment period, allowing for continuous capital deployment while maintaining structural discipline

Investor Rollover with Opt-Out Rights: Investors' capital is automatically rolled into subsequent vintages unless they choose to opt out prior to the reinvestment of undrawn commitments and/or allocable proceeds, offering a balance between continuity and control

Institutional Preference: This model is particularly favored by institutional investors who are accustomed to the governance, economics, and lifecycle of closed-ended structures but seek greater capital permanence and flexibility

Legal structures commonly used in Luxembourg: SCSp with contractually segregated classes of interests or fund vehicles with segregated sub-funds for each vintage (SCSp or SCA with RAIF wrapper)

(Open)-ended (NAV based with run-off classes)

Ongoing Investor Admission: Investors can be admitted continuously, either through a queued process or on an unqueued basis, depending on fund design and capacity.

NAV-Based Entry: New investors gain exposure to a pre-established portfolio by subscribing at net asset value (NAV), ensuring fair and transparent entry pricing.

Run-Off Elections: After an initial lock-in period, investors may submit exit requests at designated intervals, allowing for controlled redemptions.

Conversion into Run-Off Shares: Investors opting out of future investments are converted into run-off share classes. These shares entitle holders to receive proceeds from their attributable investments as they realized, without participating in new capital deployments. With appropriate structuring, the fund can potentially qualify as closed-ended as the GP controls the liquidity event (asset sale) leading up to the redemptions.

Legal structures commonly used in Luxembourg: SCA-RAIF if launched as a primary/standalone product. SCSp with contractually segregated LP units is increasingly common for funds launched alongside a flagship closed-ended product

Open-ended (NAV based with redemptions)

Ongoing Investor Admission: Investors can be admitted continuously, either through a queued process or on an unqueued basis, depending on fund design and capacity.

Portfolio Access at NAV: Investors enter the fund by subscribing to a pre-established portfolio at net asset value (NAV), ensuring transparent and equitable pricing.

Redemption Mechanics: Exit requests are subject to a defined notice period and may be governed by liquidity safeguards such as redemption gates, slow pay-out mechanisms, or other pacing tools to protect the integrity of the portfolio.

NAV Reliability as a Cornerstone: The success of this model depends on the ability to consistently and accurately strike a reliable NAV, which is essential for both investor confidence and operational viability.

Legal structures commonly used in Luxembourg: SCA with or without a RAIF wrapper. SCA preferred as it is naturally a “unitized” structure.

Evergreen: navigating the path to market success

Evergreen funds present a compelling proposition as perpetual, semi-liquid investment vehicles, offering investors long-term exposure to private markets with the flexibility to exit at defined intervals. This hybrid model strikes a balance between liquidity and commitment, making it particularly attractive to investors seeking access to private assets without the rigid constraints of traditional closed-ended structures.

Investor Appeal and Operational Complexity

The appeal of evergreen funds lies in their liquidity features: additional investment and redemption rights allow investors to manage cash flows more efficiently, avoiding the cash drag often associated with capital calls and distributions. However, this flexibility introduces a host of operational challenges. Managers must navigate complex processes including NAV calculation, investor onboarding, KYC/AML compliance, redemptions, performance tracking, fee and carried interest calculations, reporting, and fund transfers. These tasks become significantly more demanding in a semi-liquid environment, requiring robust internal infrastructure and reliable service partners to ensure operational efficiency and a seamless investor experience.

Liquidity Constraints and Redemption Mechanics

Despite their flexible design, evergreen funds are not immune to liquidity constraints. To manage redemptions, most managers implement quarterly windows with limits typically ranging from 3% to 5% of the fund's NAV. Redemption requests are subject to lengthy notice periods, and fulfillment depends on available cash. If liquidity is insufficient, investors may be deferred to the next redemption cycle. This dynamic underscores the importance of aligning fund liquidity with portfolio composition and investor expectations.

Strategic Fit and Market Dynamics

Evergreen structures are gaining traction among leading alternative asset managers, including Apollo, Ares, Blackstone, and Carlyle, who possess the scale and operational sophistication to manage these complex vehicles. For now, the evergreen space remains largely a "large-cap" market, with smaller sponsors facing significant barriers to entry due to infrastructure demands.

Certain strategies are inherently better suited to evergreen formats. Private Debt and core Infrastructure, which generate recurring income and offer predictable liquidity, align well with the evergreen model. Conversely, traditional buyout strategies characterized by long holding periods and illiquid assets pose structural challenges. However, secondaries have emerged as a promising fit, given their accelerated liquidity profiles and alignment with the pacing needs of evergreen funds.

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**Market Trends
Survey Overview:
Summer 2025**

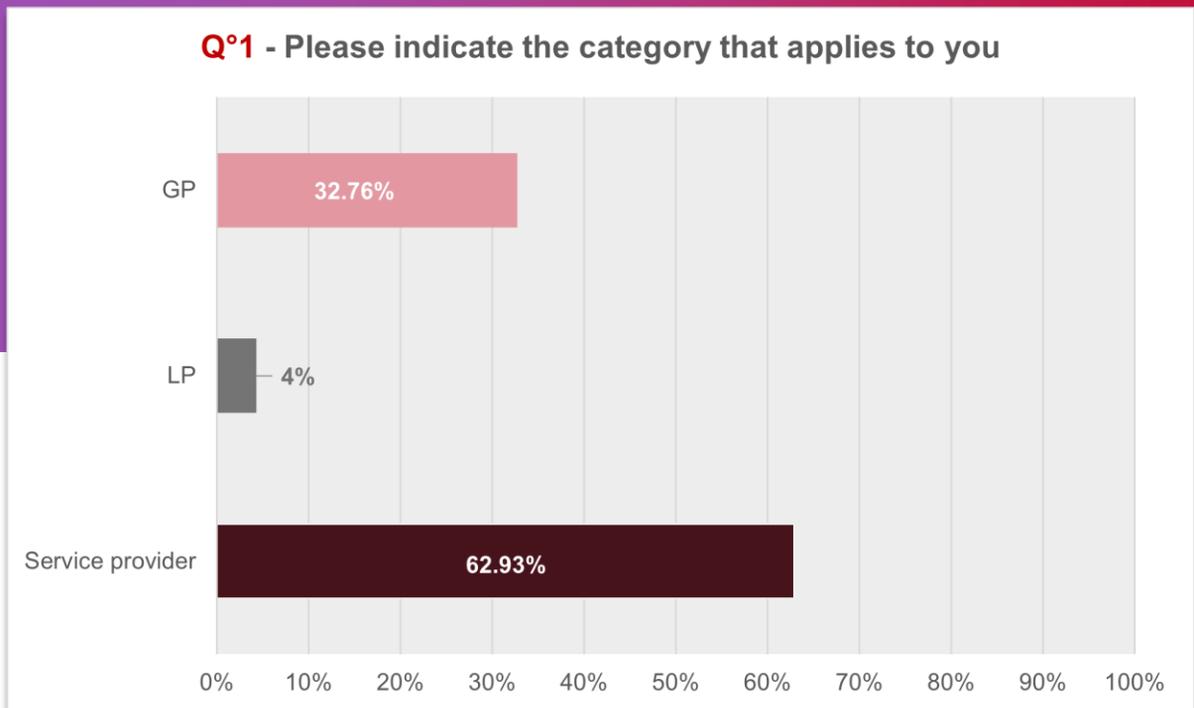
Market Trends Survey Overview: Summer 2025

The following slides present the findings of a survey conducted during the summer of 2025 across the LPEA community and a broad spectrum of market participants, including general partners (GPs), limited partners (LPs), and service providers active in the alternative investment fund (AIF) industry.

The survey explores key themes such as:

- Current fundraising dynamics
- Forward-looking market expectations
- The impact of macroeconomic and geopolitical developments on fund terms
- Shifting sponsor priorities regarding target markets and investor profiles

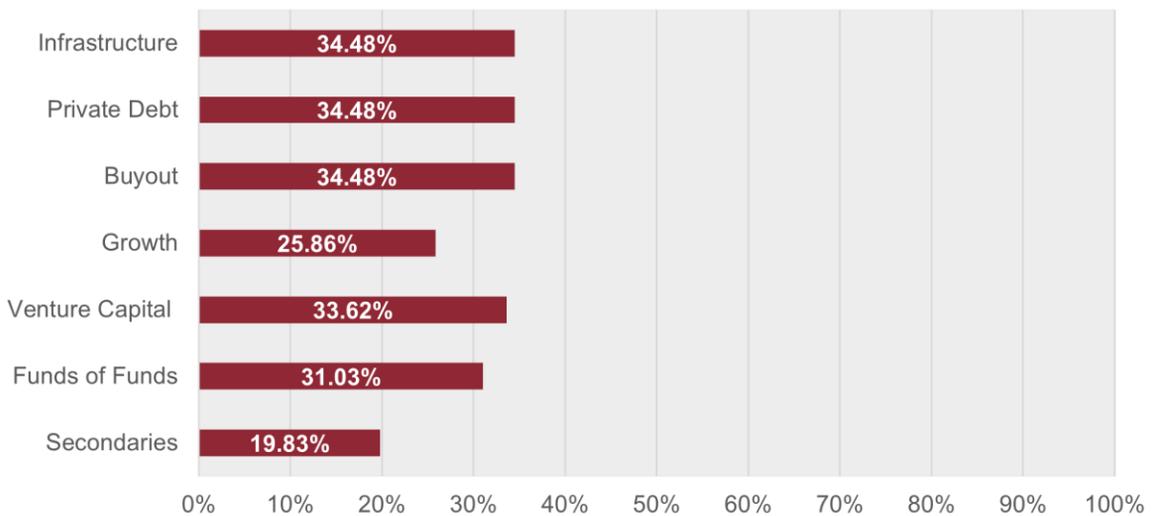
A total of 116 responses were collected, primarily from professionals based in Luxembourg, offering a representative snapshot of sentiment and strategic direction within the local AIF ecosystem.



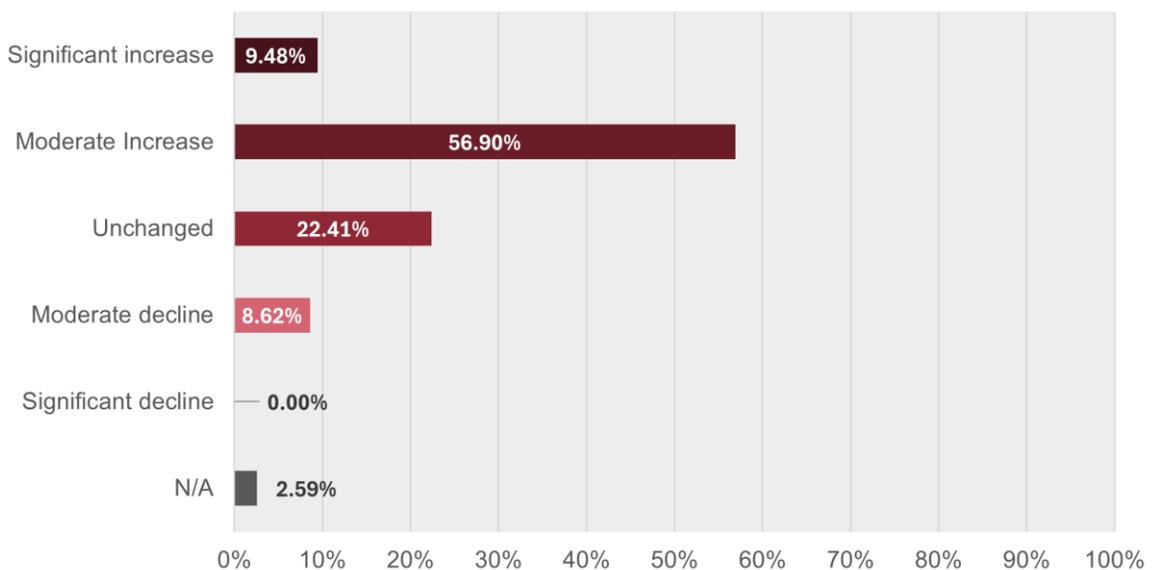
**Market Trends
Survey Overview:
Summer 2025**

Q° 2 - Primary Investment Strategy

(LPs/GPs, please select only 1 primary strategy. Service providers may select up to 3 strategies).

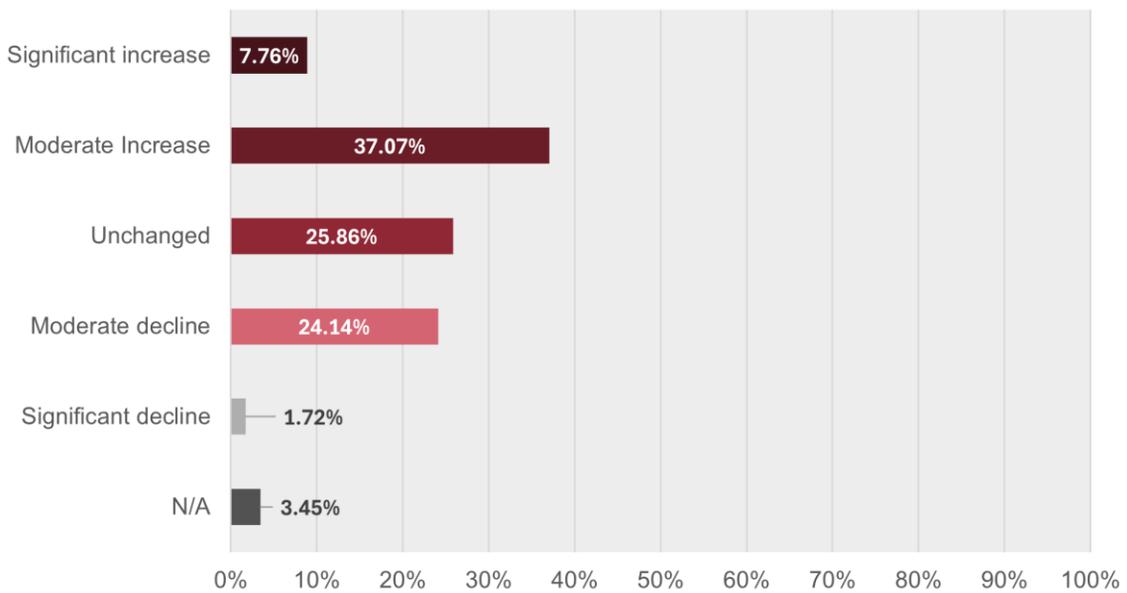


Q° 3 - How do you see the fundraising activities developing over the next 12 months ?

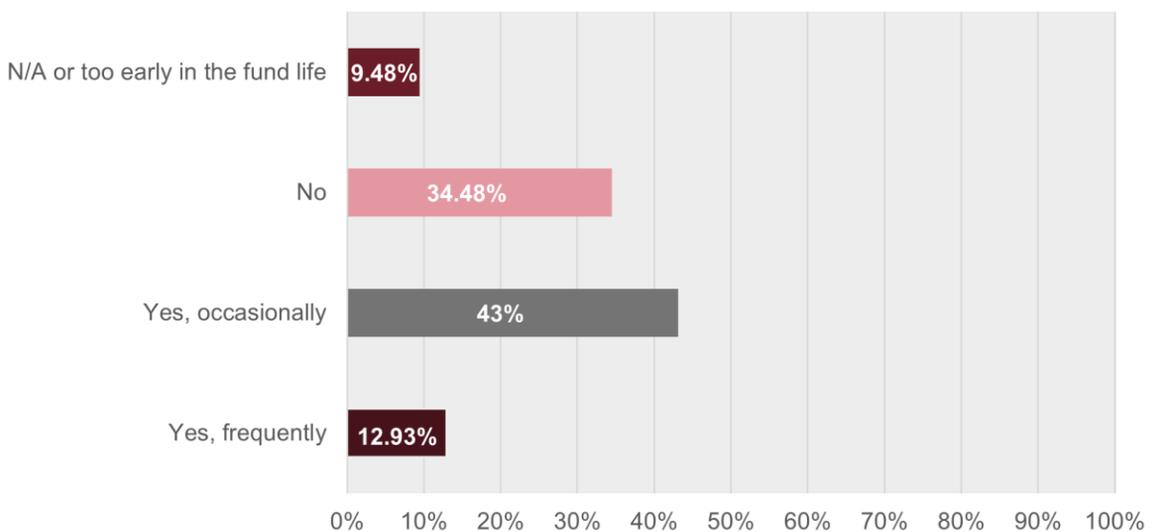


**Market Trends
Survey Overview:
Summer 2025**

Q° 4 - Has the rate of deployment increased or decreased ?

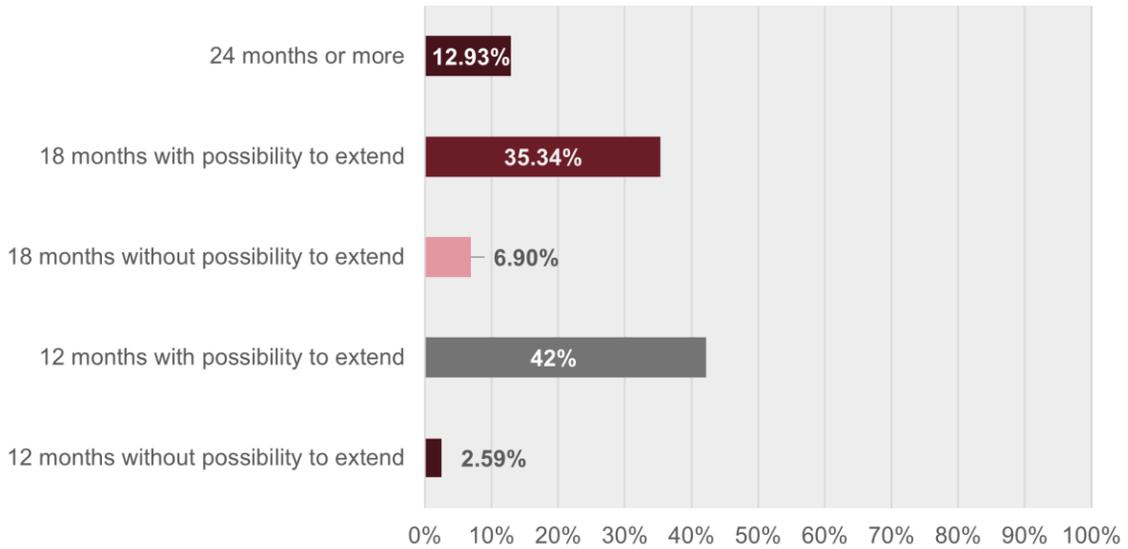


Q°5 - Have you or investors in the structures you sponsor or advise expressed liquidity concerns due to limited distributions (i.e. low DPI or slower than expected exits)?

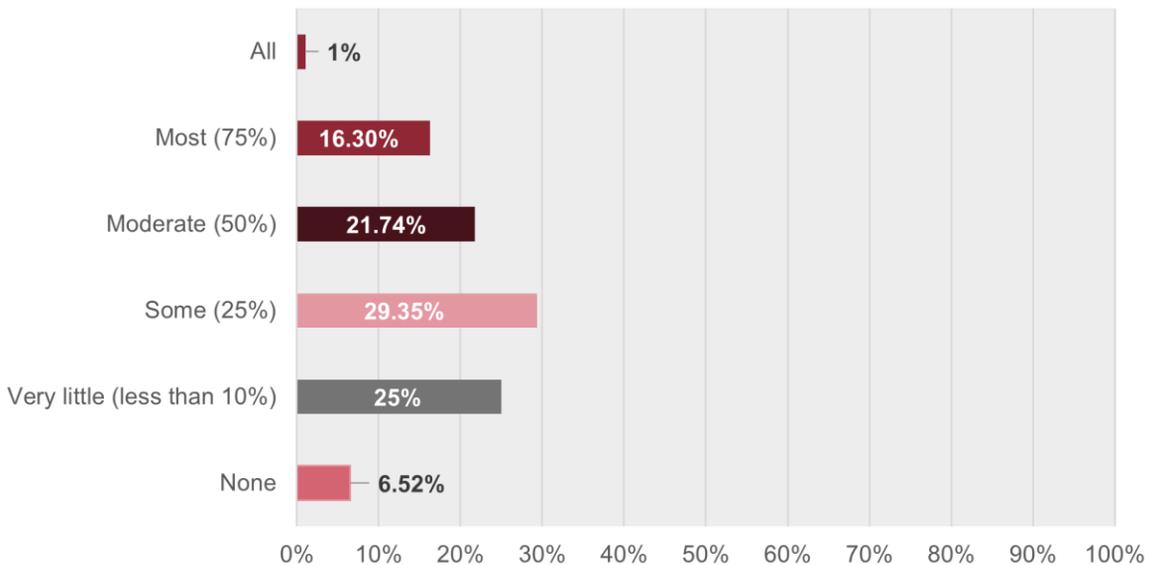


**Market Trends
Survey Overview:
Summer 2025**

Q°6 - What is the typical fundraising period for the funds you invest in, advise or sponsor?

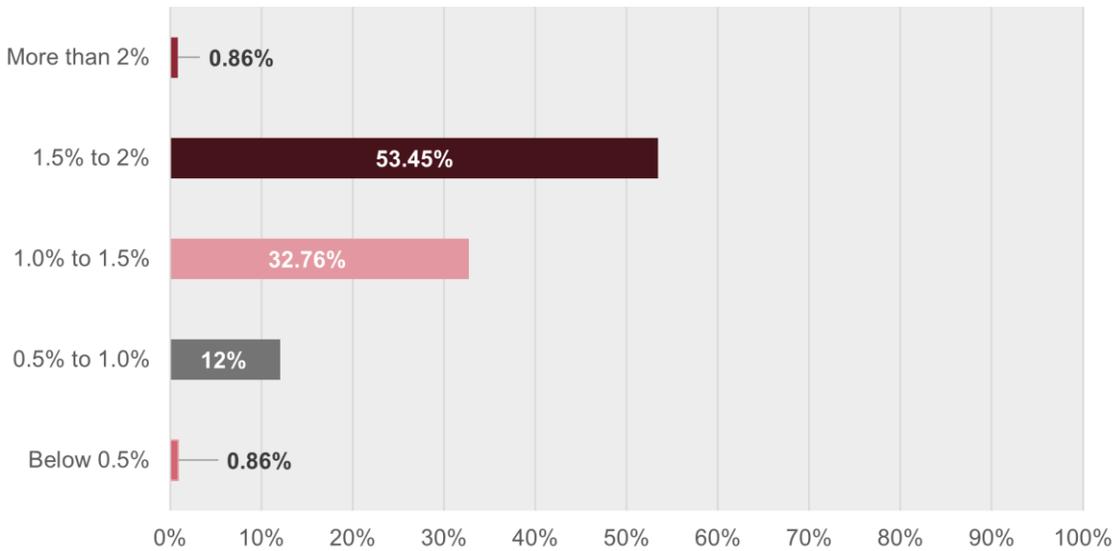


Q°7 - How much of your fundraising efforts are geared towards attracting private wealth investors? (optional)

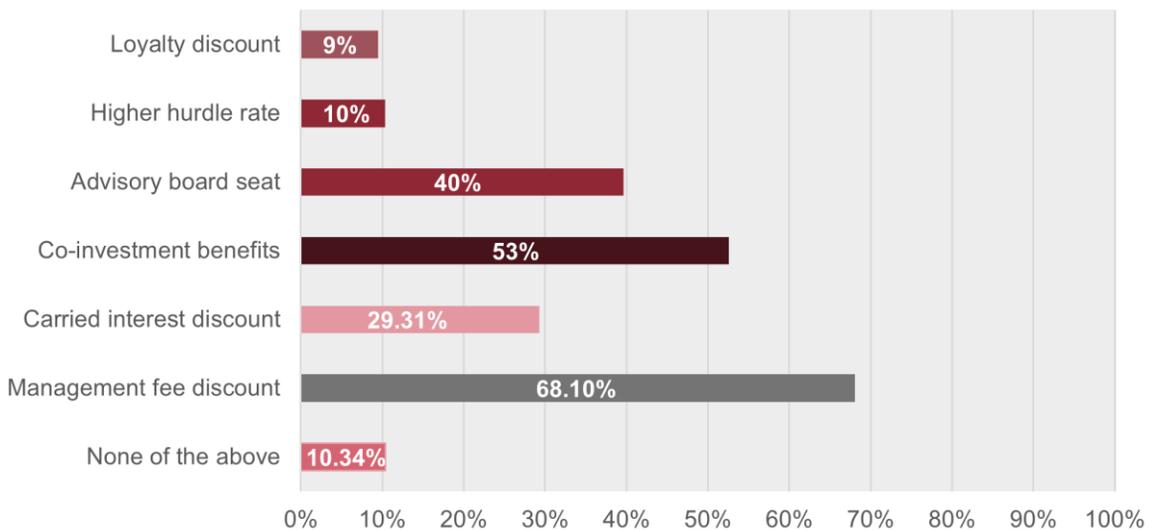


**Market Trends
Survey Overview:
Summer 2025**

Q°8 - What are the current ranges of management fees applicable across the funds you invest in, advise or sponsor?

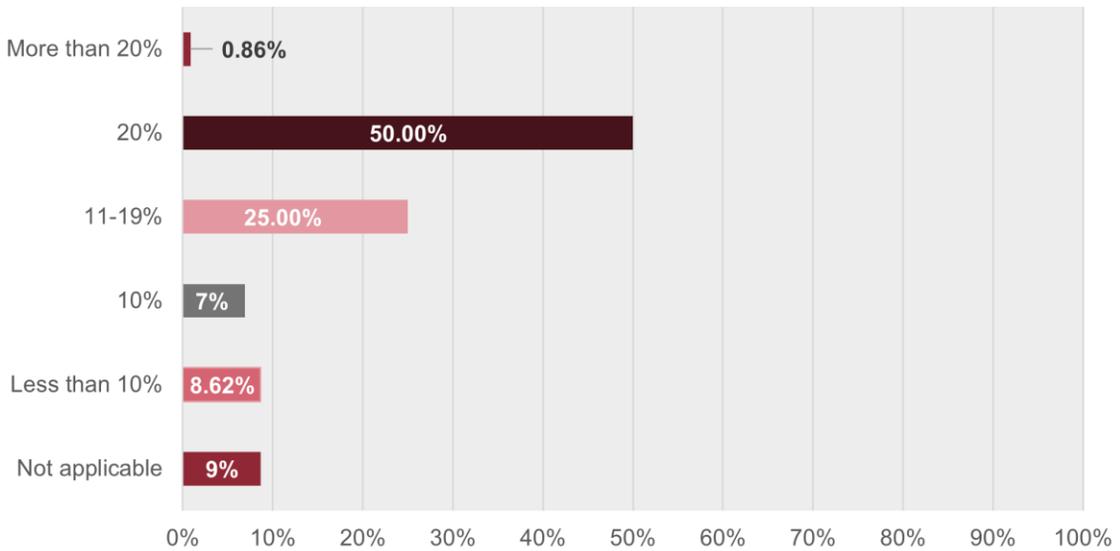


Q°9 - What type of benefits are offered to large and/or first-closing investors across the funds you invest in, advise or sponsor? (multiple choice)

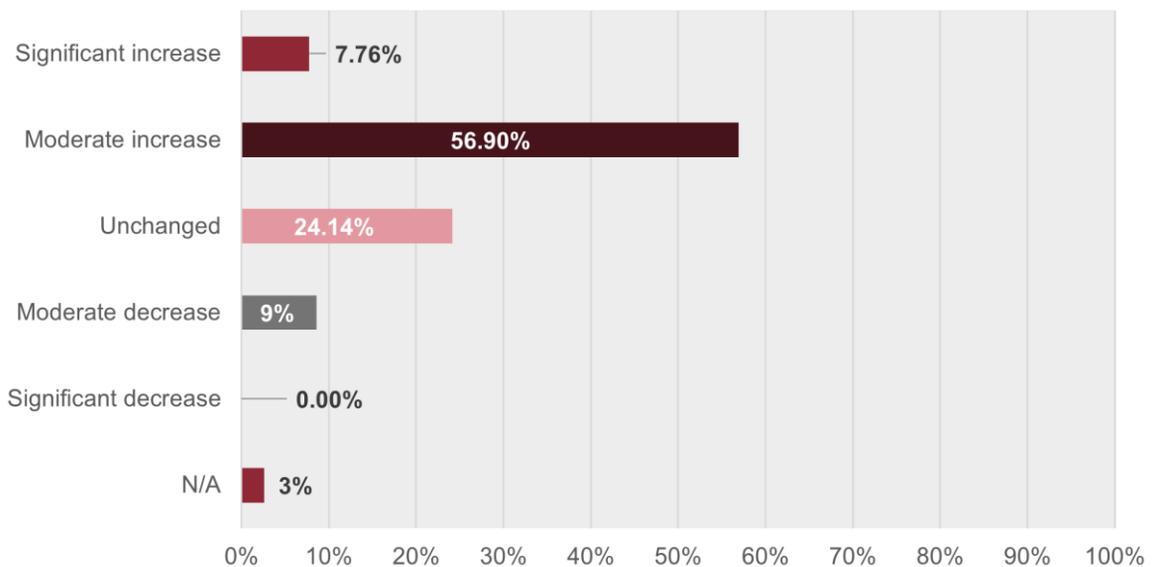


**Market Trends
Survey Overview:
Summer 2025**

Q°10 - What are the current ranges of carried interest applicable across the funds you invest in, advise or sponsor?

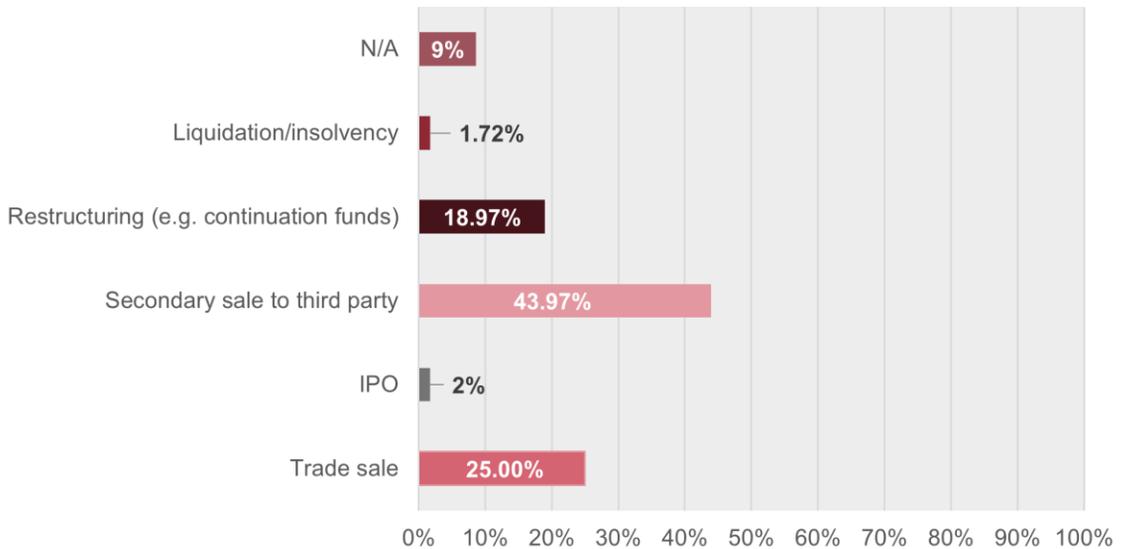


Q°11 - How do you see deal activity developing over the next 12 months?

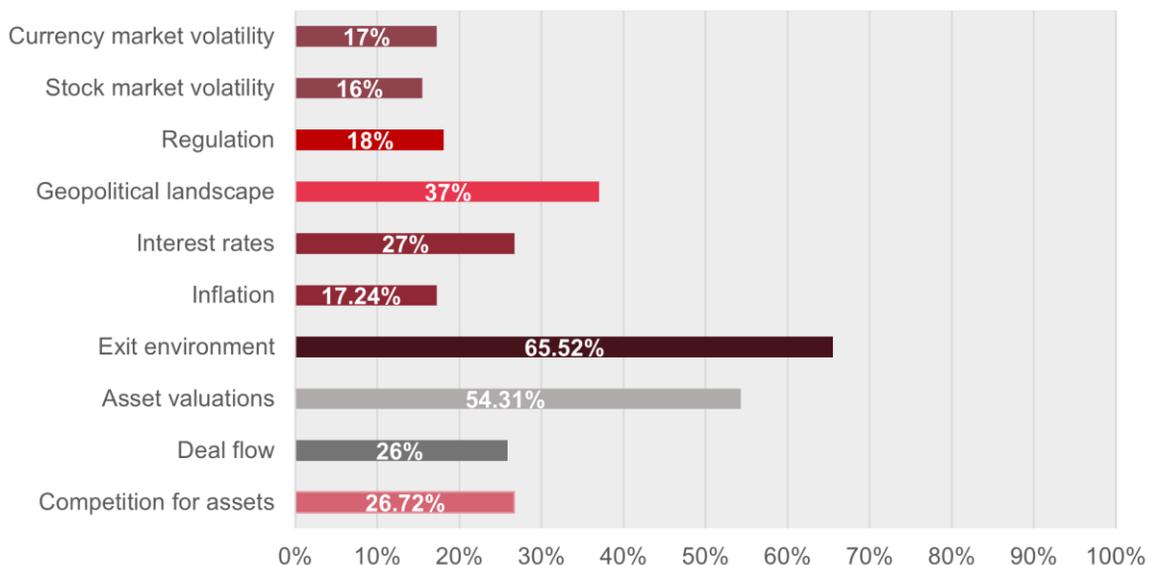


**Market Trends
Survey Overview:
Summer 2025**

Q°12 - Which exit routes/liquidity options do you expect to be most commonly used over the next 12 months?

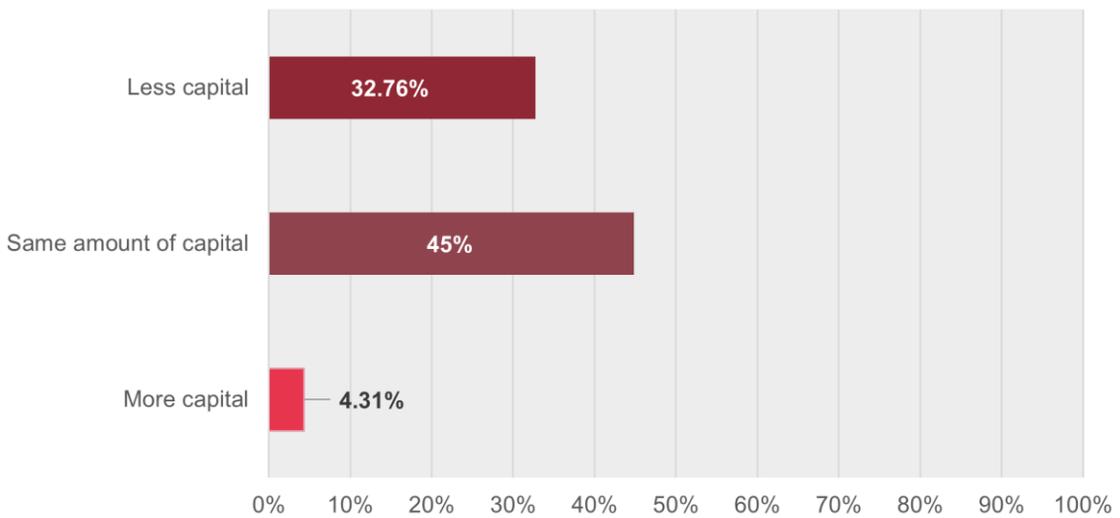


Q°13 - What are the main challenges to return generation in the next 12 months? (multiple choice)

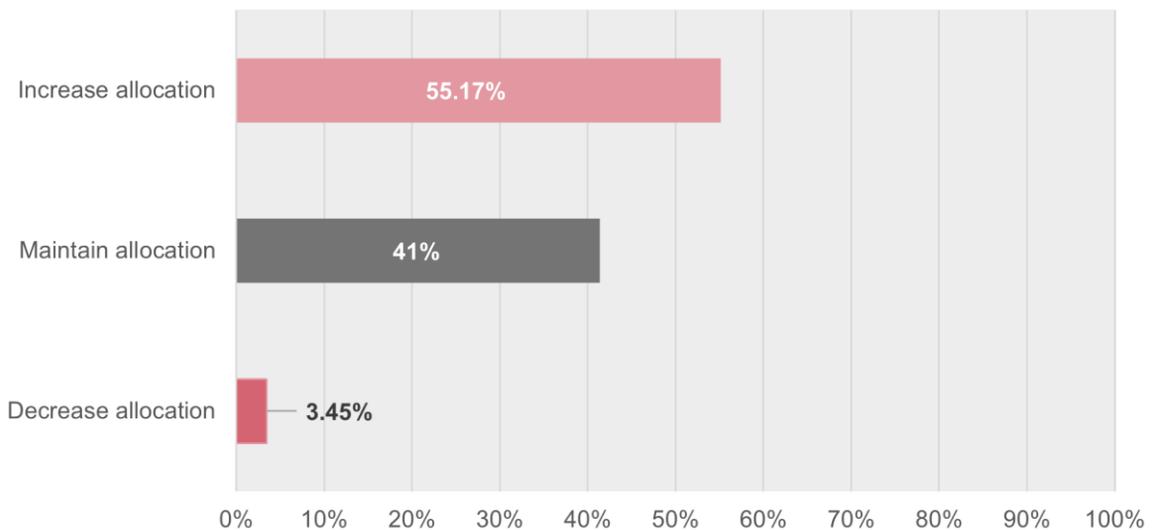


**Market Trends
Survey Overview:
Summer 2025**

Q°14 - In the next 12 months do you expect more, less or the same amount of capital invested in comparison to the last 12 months?

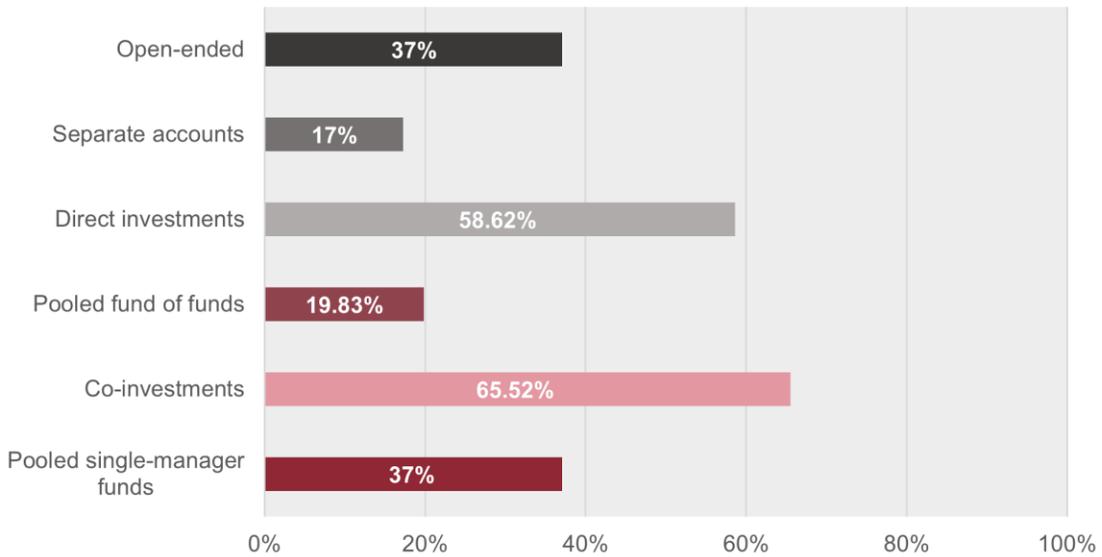


Q°15 - In the longer term, do you expect to see an increase, decrease or the same allocation of funds in the structures you invest in, advise or sponsor?

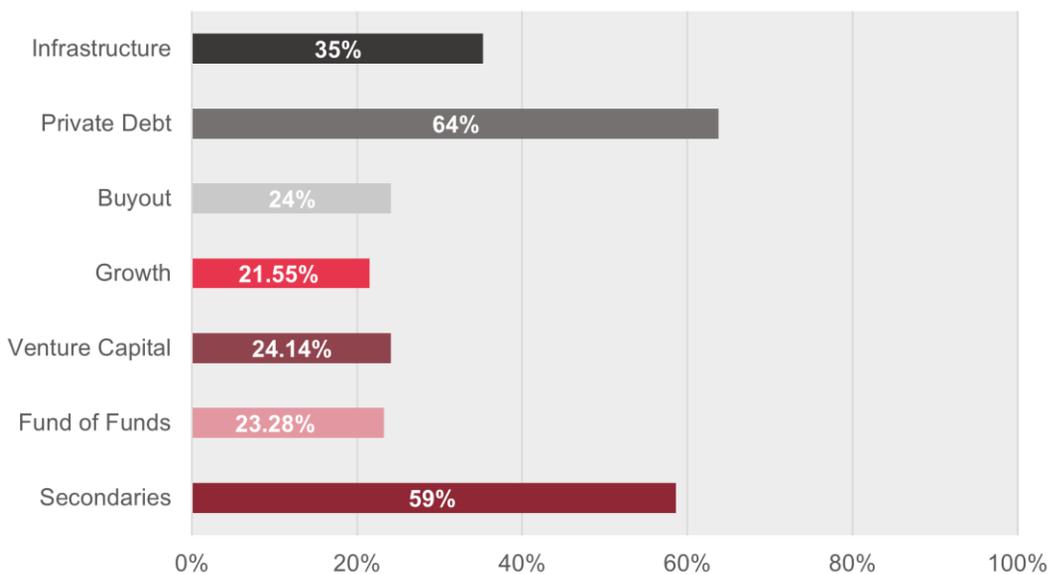


**Market Trends
Survey Overview:
Summer 2025**

Q°18 - What structures will you look to utilize for future investments?(multiple choice)



Q°19 - What type of funds will present the best opportunities in the next 12 months? (multiple choice)



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