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Neuberger Berman Luxembourg:

Shaping Semi-Liquid Innovation

Understanding Carried Interest
and Impatriation in Luxembourg

Royalties: A Differentiated
Asset Class

Issue 37, March 2026

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CONTENT

ISSUE #37



3

NEWS

7. LPEA News
9. Sector News

COVER STORY

10. **Neuberger Berman** – Shaping Semi-Liquid Innovation

INSIGHTS

16. **Partners Group** – Royalties: A Differentiated Asset Class Offering Uncorrelated Returns and Diversification
18. **Invesco** – The Case for the European Upper Middle Market
20. **Palico** – The Secondary Market for Private Equity Fund Interests: From Tactical Liquidity to Structural Infrastructure
22. **Catalpa Ventures** – HealthTech Investing: Three Interconnected Challenges, One Unique Opportunity To Combine Impact With Economic Performance
24. **BXVentures** – Building Technology Ventures for a Liveable Biosphere: Introducing BXVentures Climate Tech Fund I

26. **Golding** – Navigating Complexity: Why Private Equity Firms Need More than a Simple Service AIFM

CARRIED INTEREST

28. Luxembourg – Carried Interest Revamp
30. Rolling out the Red Carpet: How to Provide the VIP Experience for Carry Holders whilst Navigating Increased Complexity
32. Make or Break a Move to a New Job or Country? Understanding Relocation Services in Luxembourg

INSIGHTS

36. How Technology is Transforming AIFM Risk Management: From Regulatory Burden to Strategic Value
38. 2026's Most Desired Asset: Time
40. From Managed Services to Shared Platforms: Reclaiming Control of Data in Fund Industry Back-Office Operations
42. The Challenge of Standardizing Ongoing Monitoring and KPI Collection for Distribution Network

44. Luxembourg's Investment Framework for Energy and Defence
46. Making Integrations Work in Luxembourg
49. Ensuring Integrity in Private Equity's Role in the Energy Transition
52. Semi-Liquid Funds: A New Frontier for Fund Administrators — and a Call to Innovate
54. Launch of new Due Diligence Questionnaire Template for Luxembourg Central Administrators
56. Private Debt Club Refresh

PHOTO GALLERY

58. LPEA Events Coverage

CAREER CHANGES

61. People On the Move

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Hind El Gaidi
President, LPEA



Stephane Pesch
CEO, LPEA

Dear members, friends and partners,

Like every year with the start of a new vintage, it is interesting to have a quick look at the market, try to capture the overall sentiment and to integrate all this in the upcoming events, preparations and projects of our association. Overall and as discussed with different practitioners we heard that the 2 previous, rather cautious optimistic years (2024-2025) could evolve in 2026 into a more optimistic business environment with robust deal making levels, more exits and fundraising. As usual this will not happen overnight and will require lots of hard work, engagement and discipline to reach such new heights. Especially on the exits part and as recently elaborated during specialised events, the focus areas should further emphasize the equity story, defensible strategy, underline clear differentiation factors, detail the value creation plan more (revenue growth, margin expansion, buy and build), upgrade the KPI sets and articulate how the repeatable model for delivering results is implemented (track record and alpha). While taking into account the current valuation levels, the facilitation of an enhanced seller-buyer consensus should become a priority in order to avoid just a mild, modest increase this year especially with the hardening of the international geopolitical situation and also some potential disruptive effects of new technologies on certain verticals.

In order to further expand Luxembourg's exposure and expertise in the management of Private markets structures (as close as possible to the deals), the LPEA has decided to organize new innovative events around dealmaking and fundraising, which will bring active experts together via a dedicated M&A conference focusing on deals and dealmakers in April, and our first LP summit dedicated to investors and including different high-end presentations in May. We will also start quite early again the planning of our flagship event The Insights, which aims to attract more practitioners this year again with new topics and trends.

Over the next months we will, after the IPEM Cannes conference and the London roadshow in January/February, visit two Scandinavian countries, return to Paris, be back in Asia and in Switzerland. In Q1 we have organized more than 10 visits dedicated to young students from European Universities and Business schools, which shows once again, the attractivity, the interest for our financial hub and also its appetite to attract the best-in-class talents.

We hope to see you again soon and do not hesitate to help us further expand the ecosystem day after day.



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By **Hind El Gaidi**,
LPEA President

A Bold, Inclusive Roadmap for LPEA's Next Chapter

As President, my ambition is simple: to ensure LPEA remains the most trusted, forward-looking platform for our industry—one that delivers tangible value to members while strengthening our voice, our standards, and our impact. The pace of change around us is accelerating—regulation, competitiveness, technology, and expectations of transparency are evolving quickly. That is precisely why we must make key decisions now: not for change's sake, but to remain relevant, credible, and influential in the years ahead.

A clear direction: relevance, credibility, and influence

Our strategy is built around a few guiding convictions. First, we must stay relentlessly relevant to members' real priorities—regulatory change, market competitiveness, talent, and the practical realities of doing business. Second, credibility is earned through transparency, consistency, and high-quality expertise. Third, influence requires unity: when we align as a community, we can engage more effectively with authorities, partners, and international stakeholders.

What will change: from activity to outcomes

LPEA will continue to convene, connect, and inform—but with a sharper focus on outcomes. We will prioritize:

- **More specialist content**, designed with and for practitioners, and delivered through focused formats that encourage real exchange.

- **Stronger advocacy**, grounded in evidence and member input, with clearer positioning on the issues that matter most for our ecosystem.
- **A more modern member experience**, combining high-touch community moments with scalable digital access to insights and resources.

How we will deliver: governance that empowers

Execution depends on how we work. We will strengthen governance and accountability to make LPEA faster, clearer, and more impactful—without losing the collaborative spirit that defines us. Making these choices now is essential: it ensures we can respond faster, speak with greater clarity, and deliver consistently for members.

This means:

- **Empowering technical committees and working groups** with clearer mandates, better support, and more structured reporting.
- **Supporting technical committees with Board and Executive Committee sponsors**, so each focus area benefits from senior guidance, connectivity, and momentum.
- **Improving transparency** around priorities, decision-making, and how member feedback translates into action.
- **Encouraging leadership renewal** to sustain energy, diversity of views, and long-term resilience.

The roadmap: a phased approach

We will move in phases—listening

first, then building, then scaling. In the months ahead, we will deepen member consultation, refine priority themes, and align resources. Next, we will strengthen the operating model that supports committees, content, and advocacy. Finally, we will scale what works—expanding partnerships, improving reach, and elevating LPEA's presence internationally.

A shared project

This strategy is not a document—it is a collective commitment. I invite every member to contribute: bring your expertise, your questions, and your ambition. Together, we will shape an LPEA that is bold in vision, inclusive in practice, and measurable in impact. ●

Key Upcoming Events:

28 April
M&A Conference – Market Outlook and Transactions

6 May
LPEA LP Summit

12 May
PE Tech Day 2026



For more information

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EQT to Integrate Collier Capital into Platform

Global private equity firm EQT has signed definitive agreements to bring Collier Capital onto its global platform in a transaction expected to close in the third quarter of 2026, subject to regulatory approvals. The deal combines EQT's €270 billion multi-strategy investment platform with Collier Capital's 35-year track record in private markets secondaries.

Following completion, the business will operate as Collier EQT, forming a new Secondaries segment alongside EQT's Private Capital and Real Assets divisions. Collier Capital's leadership team, led by Jeremy Collier, will continue to run the business while maintaining independent origination and investment processes.

The partnership aims to expand secondaries solutions, including into real assets, and strengthen offerings for institutional, private wealth and insurance clients worldwide.

Permira to Acquire Minority Stake in Carne Group at €1.4bn Valuation

Carne Group has agreed to sell a significant minority stake to funds advised by Permira in a transaction valuing the company at €1.4 billion. As part of the deal, Vitruvian Partners will exit its minority shareholding acquired in 2021, alongside several other minority investors.

Carne's founder, management team and employees will retain a majority stake, with founder and CEO John Donohoe continuing to lead the business. The investment will support the firm's next growth phase, including further development of its Curator technology platform and increased investment in AI and automation capabilities. The transaction is subject to customary regulatory approvals and is expected to close in the third quarter of 2026.

KKR to Acquire Arctos in \$1.4bn Deal to Expand Sports and Secondaries Platform

KKR has agreed to acquire Arctos Partners in a strategic transaction initially valued at \$1.4 billion, creating a new platform focused on sports investing, GP solutions and secondaries. Founded in 2019 and managing about \$15 billion in assets, Arctos will become a fully integrated investment unit within KKR following the deal.

The acquisition includes \$300 million in cash and equity consideration subject to vesting, with up to an additional \$550 million tied to performance targets and share price milestones.

KKR plans to launch a new business, KKR Solutions, combining Arctos' Sports and Keystone platforms while building a broader multi-asset class secondaries business.

➤ Neuberger Berman Luxembourg:

Shaping Semi-Liquid Innovation



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

In this interview, Giacomo Barchetta, Chief Financial Officer Luxembourg at Neuberger Berman, shares insights on private markets growth, semi-liquid innovation, governance discipline, and how employee ownership supports investor-focused solutions across Europe.

For readers who may not know Neuberger, can you briefly introduce the firm and its global footprint in asset management and private markets?

Neuberger is an employee-owned, private, independent investment manager founded in 1939 with 2922 employees in 27 countries. The firm manages \$563 billion of Equities, Fixed Income, Private Equity, Real Estate and Hedge Fund portfolios for global institutions, advisors and individuals (as of 31 December 2025).

A defining feature of Neuberger is its ownership model: the company is 100% owned by its employees and directors. This structure underpins a long term culture focused on alignment with clients. Neuberger's investment philosophy is founded on active management, fundamental research and engaged ownership. The firm has been named the #1 Best Place to Work in Money Management by Pensions & Investments and has placed #1 or #2 for each of the last eleven years (firms with more than 1,000 employees).

Neuberger Private Markets is a division of Neuberger Berman and has been an active private markets investor since 1987. Neuberger Private Markets invests across strategies, asset classes, and geographies

for a large number of sophisticated and renowned institutions and individuals globally.

As of September 30, 2025, Neuberger Private Markets manages over \$150 billion of investor commitments across Primaries, Co-investments, Secondaries, Private Credit, and specialty strategies. Neuberger Private Markets has an experienced and diverse team of over 500 professionals with a global presence in 16 offices globally.

Our Luxembourg office serves as our main private markets funds development hub outside of the US.

How has Neuberger Berman's presence in Luxembourg evolved over time, and what role does the Luxembourg office play within the firm's global platform?

Neuberger Berman S.à.r.l. was incorporated in Luxembourg in 2018 and obtained authorization from the CSSF to operate as an authorized alternative investment fund manager (AIFM) in 2019. We started with around 10 employees, managing a limited number of funds and investment strategies.

Today, we have around 20 employees working across finance, valuation, risk,

“Neuberger has offered evergreen private market structures since 2007 and currently manages approximately USD 16 billion across 50+ such vehicles globally.”

Giacomo Barchetta



portfolio management, and distribution, supporting the continued growth of the investment strategies, products, and fund structures offered to our investors.

We outsource most of the production activities related to NAV calculation, transfer agency, tax compliance, and other regulatory tasks to local service providers. Our local team in Luxembourg is experienced and highly qualified, primarily focused on overseeing these providers, defining the optimal operating model to accommodate multiple investment strategies, and increasingly interacting directly with our investors. Luxembourg offers access to a highly qualified, multilingual workforce and service providers with strong expertise in alternative investment products.

The Neuberger Berman Luxembourg platform is a strategic hub integrated into the firm's global operating platform. While the group leverages Luxembourg's experience to manage local AIFs with regulatory excellence, the Luxembourg platform in turn leverages the group's global systems and Infrastructure. Luxembourg plays a central role in Neuberger's European growth strategy, particularly in Private Equity and alternative investments. It offers a uniquely attractive combination of fund structuring flexibility, operational maturity, and regulatory stability, making it an ideal home for private markets solutions.

From our perspective, Luxembourg offers the "toolbox" we need to design investor-friendly vehicles that can provide access to global Private Equity in formats suited to European and non-European clients, whether through traditional closed-end funds or evergreen and semi-liquid strategies.

At the same time, its position as one of Europe's leading cross-border fund hubs allows a single Luxembourg platform to be distributed efficiently across multiple markets under well-established EU rules, supported by a mature ecosystem of service providers and a strong focus on governance and risk management. That combination is precisely why Luxembourg has become our natural European center for developing and scaling alternative investment solutions.

Which types of Private Equity investments and strategies does Neuberger Berman typically pursue, and how do these translate into solutions for your clients in Luxembourg?

In Europe, Neuberger offers products that invest across Primary Fund Investments, Co-investments, Secondaries, Capital Solutions, and other specialty strategies, using a variety of fund structures and customized separate account solutions. We are continuously developing new investment solutions and expanding the range of products offered.

Perhaps one of the most visible developments for the broader Luxembourg market has been the introduction of a European Long-Term Investment Fund (ELTIF) framework, through which Neuberger has offered different Luxembourg-domiciled investment solutions.

The more recent ELTIF 2.0 framework was designed to give both retail and pro-

fessional investors access to regulated long-term private asset vehicles, providing exposure to private market asset classes such as Private Equity, Private Credit and Infrastructure. Compared with traditional closed-end funds with long lock-up periods, capital call mechanisms, and significant minimum investment amounts, ELTIF 2.0 vehicles can be structured to offer lower minimums, periodic subscriptions and redemptions supported by a liquidity sleeve, and more frequent reporting (typically monthly). For distributors and private banks, ELTIFs are intended to serve as private market solutions that can be integrated into client model portfolios.

Can you tell us about your role in Luxembourg and how you came to specialize in Private Equity, with a particular focus on semi-liquid strategies?

Neuberger Berman Luxembourg was set up with a very clear purpose. It serves as

“The broader “democratisation” of private markets has encouraged managers to design solutions for high-net-worth and mass affluent investors, retirement schemes, and insurance products. Semi-liquid funds, often domiciled in international hubs such as Luxembourg, respond to this by combining more accessible minimums, familiar fund wrappers, and regular reporting.”

Giacomo Barchetta



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our dedicated European hub for managing Private Equity vehicles and reflects the growing importance of having a Luxembourg-based AIFM within our global operations. Today, it is a key anchor for our alternatives and private markets platform in Europe and connects our global investment capabilities with the structures, regulation, and investor base of the Luxembourg market.

The Luxembourg platform is deeply integrated into the local ecosystem - its regulatory framework, fund structures, and service provider network. A significant part of its work is dedicated to building and operating structures that meet high standards of governance, transparency, and risk management, while remaining flexible enough to respond to evolving investor needs.

This is a technically demanding area, where liquidity management, portfolio construction, valuation, and regulation must be carefully integrated. Luxembourg is an ideal place to do this. Within this context, moving into alternative products that offer a certain degree of liquidity has been a gradual but natural evolution. Neuberger has offered evergreen private market structures since 2007 and currently manages approximately USD 16 billion across 50+ such vehicles globally. Evergreen and semi-liquid Private Equity strategies in Luxembourg are therefore not a departure, but an extension of what has already been done successfully in other markets.

The Luxembourg platform works closely

with the global Infrastructure to ensure that these semi-liquid Private Equity strategies are not only compelling from an investment and portfolio construction perspective, but also operationally robust and fully compliant with European standards. That combination of innovation and discipline - designing strategies that open private markets to a broader range of investors while maintaining strong controls and governance - is central to our role in Luxembourg.

Semi-liquid Private Equity strategies are gaining attention - how would you explain what the “semi-liquid business” is and why it has become so relevant for investors?

Semi-liquid Private Equity has moved from a niche concept to a key theme in private markets because it changes how investors can access illiquid assets, without changing the assets themselves. Traditional Private Equity requires investors to lock up capital in a closed-ended fund for 10–12 years, with very limited options to exit early. Semi-liquid structures still invest in privately held companies, but they are usually set up as evergreen or long-dated funds that invest in and realize assets on a rolling basis. Investors can subscribe and request redemptions at set intervals, and pricing is based on regularly updated net asset value, providing more frequent transparency and a more gradual build-up of diversified exposure across companies, sectors, and vintages.

It offers a pragmatic middle ground between daily liquid funds and traditional closed-ended Private Equity, preserving long-term value creation potential while offering a degree of flexibility that better reflects real-world financial planning needs. At the same time, the broader “democratisation” of private markets has encouraged managers to design solutions for high-net-worth and mass affluent investors, retirement schemes, and insurance products. Semi-liquid funds, often domiciled in international hubs such as Luxembourg, respond to this by combining more accessible minimums, familiar fund wrappers, and regular reporting.

It remains important to stress that “semi-liquid” does not mean “risk-free” or “cash on demand”: the underlying investments are still long-term and inherently illiquid, and redemptions are managed carefully to protect all investors. But by balancing access with discipline, the semi-liquid Private Equity business has become an important way for a broader range of investors to participate in private market value creation, and access private markets in general.

What are the main areas of focus within Neuberger Berman's semi-liquid Private Equity business - whether in terms of underlying assets, structures, or target investors?

Within Neuberger's semi liquid Private Equity business, the core focus is on allowing a broad private markets platform to be

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↘ accessible in an evergreen format. In practical terms, that means building diversified portfolios across Co-investments and GP-led Secondaries. The aim is to combine mature, cash generative assets with newer investments so that the portfolio can support periodic dealing and NAV based pricing, while still reflecting the long term, illiquid nature of private markets.

Structurally, the emphasis is on evergreen and interval type solutions rather than traditional closed end funds. Evergreen vehicles in Private Equity are designed to give investors continuous access, with capital fully funded at subscription, ongoing deployment and recycling of proceeds into new opportunities. A lot of work goes into calibrating these features - dealing frequency, gates, notice periods - so that the liquidity offered to investors remains aligned with what the underlying assets can realistically deliver.

From an investor perspective, the semi liquid platform is deliberately multi-channel. It is used by institutions that want an instant diversified private markets allocation, but it is equally aimed at private banks, wealth managers and advised retail investors who need lower minimums, straightforward reporting and some degree of liquidity. That cross over between institutional grade underlying assets and more user-friendly wrappers is particularly relevant in Luxembourg, where cross border distribution and alignment with different regulatory regimes are central to product design and governance.

From a risk and governance perspective, what are the key challenges in structuring semi-liquid Private Equity products, and how do you address these in your day-to-day work?

Evergreen funds now provide investors a more flexible experience. Yet this convenience rests on a structural tension: offering liquidity out of assets that are, by design, hard to sell quickly and fairly. Managing that tension is where risk and governance become decisive.

The first challenge is liquidity mismatch. Redemption promises, notice periods, gates and the use of credit lines must be calibrated to what the underlying portfolio can

deliver in both benign and stressed conditions. The real test is not when flows are stable, but when redemptions spike, exits slow and protecting the portfolio may conflict with meeting investor expectations.

The design and use of liquidity management mechanisms is also crucial. Gates and suspensions reduce fire-sale risk, but if used clumsily they can damage trust. The conditions for using these tools need to be defined in advance, applied consistently and accompanied by clear communication when stress occurs.

The second challenge is valuation. Investors transact at net asset value, but Private Equity NAVs are based on estimates, comparables and judgement rather than live market prices. This raises questions of fairness between entering and exiting investors. Strong valuation policies, independent challenge and clear documentation become central governance tools.

On top of this, semi-liquid products sit amid regulatory complexity and often feature concentrated portfolios by strategy, geography or vintage. This calls for well-defined investment guidelines, concentration limits and a product approval process that brings together risk, legal, compliance, product and operations from the outset.

In day-to-day practice, we believe effective governance means turning these concerns into concrete rules and continuous oversight. It involves setting limits that reflect the true liquidity and risk profile of the portfolio, monitoring exposures, redemptions and valuations over time, documenting key decisions and the rationale behind them, and aligning internal and client expectations about what “semi-liquid” really means.

“Cross over between institutional grade underlying assets and more user-friendly wrappers is particularly relevant in Luxembourg, where cross border distribution and alignment with different regulatory regimes are central to product design and governance.”

Giacomo Barchetta

How do you see the Private Equity industry evolving over the coming years, and what do you think should be the main priorities for managers and investors?

Over the next few years, the private markets sector will keep growing in importance - but in a more complex, bifurcated, and operationally demanding form.

We are expecting natural growth on evergreen and semi-liquid structures that require additional investments by managers and knowledge to deal with operational and governance complexity.

Investors are looking for transparency and additional data and information from managers. Even if not yet aligned with public market, we are asked more and more to have products and funds with monthly valuation and the possibility, under certain circumstances, to subscribe and redeem. This shift requires managers to enhance risk, valuation, reporting, and operational frameworks.

Luxembourg is well positioned with a skilled workforce and service providers that are more and more experienced on managing multiple investment strategies and hybrid products maintaining operating excellence.

Technology is another key area and priority. At Neuberger we have a dedicated team researching additional instruments and tools that may be integrated into the operating platform to enhance controls, increase efficiency and oversight of the work of the external providers. ●

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By **Stephen Otter**,
Head of Private Markets
Royalties at Partners Group

Royalties: A Differentiated Asset Class Offering Uncorrelated Returns and Diversification

Private markets have become an essential component of the modern global investment landscape, offering investors an opportunity for diversification and attractive returns.

At the same time, the range of strategies within the space has expanded significantly. Investors today can diversify their portfolios across a wide range of asset classes, such as Private Equity, Private Credit, Infrastructure, Commodities, Real Estate and Venture Capital – each of which is further segmented into distinct sub-strategies.

As private markets expand and become increasingly competitive and institutionalized, new asset classes are emerging. One such asset class that has garnered increased attention and popularity is royalties. With an estimated total market size exceeding USD 2 trillion, this strategy encompasses both established and emerging, high growth sectors with global diversification.

The mechanics of royalties

In its simplest form, a royalty investor receives a percentage of revenue generated by an underlying asset. The asset can include rights to intellectual property (IP), such as patents, trademarks or copyrights, as well as exclu-

sive rights over natural resources like gas or minerals.

The terms of a royalty contract are negotiated between the owner of the asset and the operating company. The contract grants the operating company the right to use the asset, and, in exchange for this, the owner receives a royalty payment (i.e. a percentage of the revenue).

Examples of this include the revenue generated from the sale of a pharmaceutical product, the use of a musician's song catalogue, or the sale of gas from a producing gas reserve. These rights, or simply, these royalties, can then be sold to third party investors.

A truly differentiated asset class that offers income and inflation mitigation

Royalties possess traits that set them apart from traditional investment strategies.

- **Low correlation to the broader economy:** The performance of royalty investments tends to be less tied to the direction of the broader economy and the markets than many traditional asset classes. This can offer potential non-cyclical economic exposure that can enhance diversification across an investor's portfolio.
- **Stable income streams and inflation hedge:** Royalties have historically

served as an effective hedge against inflation, as payments rise in line with price and the royalty investor is not exposed to cost inflation. Royalty investors are not responsible for funding asset costs such as operating and capital expenditures, and therefore, not sensitive to cost inflation or profit margins.

- **Self-liquidating with attractive cash yields:** Royalty investments generate ongoing cash yields that can help meet investors' income needs. They are largely self liquidating, meaning they are not reliant on an exit to meet target returns, which can substantially help reduce their risk profile. Royalty investments also have potential to be sold, offering additional sources of upside for investors.

Framing the asset class

The structured nature of many royalty investments provides clarity and control over payment terms and durations, akin to private credit instruments. However, unlike private credit, royalties also offer potential upside driven by the underlying asset's performance. This places the risk-return profile of royalty investments between that of Private Credit and Private Equity.

Moreover, royalty investments are typically cash yielding from day one as the

investor receives a portion of the asset's revenue stream. This increases the multiple on invested capital (MOIC) over the holding period. In cases where royalty investments have long-term IP exposure (such as music) or sub-surface ownership, there is also the potential for long-term NAV accretion to complement the yield generated by the royalty investment.

In contrast, a typical Private equity buy-out often sees most of its value creation after two-to-three years of implementing operational initiatives, followed by a sale that ultimately realizes the value. This places the return profile of royalties closer to that of Private Credit. Yet, the royalty investment's initial and final internal rate of return (IRR) are expected to be higher over the long term.

Identifying the potential key risks

As with any asset class, it is essential to recognize the potential risks associated with royalties. Specific sector-related risks, including regulatory changes, technological advancements, and shifts in consumer behavior must be carefully considered and addressed through prudent underwriting and sector selection.

Additionally, counterparty risk, legal and regulatory risks, and lack of diversification are important factors to be aware of and actively managed when investing in royalties.

At the investment level, factors such as asset impairment, operational issues within the operating company, unexpected leadership changes, and other specific risks can all impact performance and returns.

While it is challenging to completely avoid these risks, steps can be taken to mitigate them to the greatest extent

“A multi-sector royalty approach, across music/media, pharma and energy transition, can further enhance risk/return characteristics, as these sectors are inherently uncorrelated.”

Stephen Otter

possible. Protection mechanisms can include economic structures that have “step-up” or “step-down” features to protect the investor once certain IRR or MOIC hurdles have been achieved.

It is important to note that the stage of an asset's life cycle in which a royalty investor chooses to invest will significantly impact the investment's risk profile. It is crucial for investors to conduct thorough due diligence, negotiate favorable terms, and diversify their investments across multiple transactions and sectors to help mitigate these risks.

Portfolio construction

When contemplating an allocation to royalties, investors must carefully consider their preferred risk return profile. As their desire for capital protection and stable yield in their portfolio increases, royalties become increasingly suitable. Conversely, for investors focused on maximizing return potential, royalty investments may not align with their objectives. Prior to employing any portfolio optimization models, investors should have a holistic understanding of the benefits royalties may add to an existing portfolio. For instance, music streaming demonstrates somewhat non-cyclical characteristics. While not all sectors may demonstrate the same non-cyclical qualities, having a multi-industry approach to royalties can provide investors with the means to reduce their exposure to market cycles.

Within the private markets space, investors have typically tapped into roy-

alties through closed-end, commingled fund structures, like those used in Private Equity and Private Credit. While these structures have their benefits, their standard 10-12-year fund life often does not match the typical duration of royalty investments.

This misalignment can bring about challenges and undesirable outcomes, such as funds being forced to sell off investments prematurely or having limited flexibility in allocating across different sectors. For investors seeking to align the lifetime of their investments with the underlying assets, evergreen fund structures may offer a viable solution.

These funds are not restricted in their investment horizon, or tied to a fund-end date, more easily matching the duration of the underlying investment portfolio. Additionally, they often offer regular liquidity events (typically quarterly), allowing investors to adjust their exposure to the asset class

Royalties present an attractive investment opportunity, blending potential for equity-like returns with increased stability and downside protection. A multi-sector royalty approach, across music/media, pharma and energy transition, can further enhance risk/return characteristics, as these sectors are inherently uncorrelated. Thoughtful integration into a diversified portfolio strategy, can make royalties advantageous for long term investors seeking capital protection and yield. ●



By **Michael Craig**,
Senior Portfolio Manager
at Invesco



and **Raman Rajagopal**,
Senior Client Portfolio Manager
at Invesco

The Case for the European Upper Middle Market

A Strategic Synergy: Why Leverage Both Directly Originated and Syndicated Loans

In the roughly twenty years following the Global Financial Crisis, private credit has emerged as a pivotal asset class, filling a void left by banks in corporate lending. Within Europe we believe debt provisioned to larger, well-capitalized companies, known as the upper middle market, is a particularly attractive space given the strength and stability of these corporate balance sheets. Increasingly, borrowing by companies in this segment has become more flexible between bank-arranged debt facilities (syndicated loans or 'BSL') and directly originated loans (direct lending). From our perspective, investors focused on lending to these companies increasingly should incorporate both access points in their approach given that borrowers will regularly toggle between each type of financing. In developing a portfolio focused on European upper middle market companies, we believe the approach going forward will be favorably achieved by combining both these markets into what we term the upper middle market — the direct lending market offering the benefit of spread premium and the syndicated market offering the benefits of consistent deployment and liquidity. From our perspective, this is particularly well suited to investors looking for evergreen solutions which focus on larger, established European companies delivering high amounts of floating-rate income on a stable asset base. Investors can simultaneously benefit from the direct lending spread premium of undertaking credit risk to these

larger, more stable European companies while remaining fully deployed.

The Changing Landscape of Private Credit

Post-Global Financial Crisis, regulatory changes and capital requirements constrained banks' lending capacities, creating a vacuum to be occupied by non-bank lenders. Historically, the corporate private credit market could be divided into two segments: the syndicated loan market for larger companies and the direct lending market for smaller firms. Despite different access points, both markets focus on senior secured floating rate debt. Their key distinction lies in the technical nature of lender participation. The syndicated market involves loans originated by banks and then shortly thereafter distributed to institutional investors—given the broad market awareness and borrower size, syndicated loans thereafter maintain a strong secondary market and regular liquidity. The direct lending market features loans made directly by non-bank lenders to borrowers. These direct loans offer a spread premium to syndicated loans but with the consideration that minimal secondary market or liquidity exists, and lenders generally hold the loan until repayment or maturity.

As direct lending dry powder grew over time, a meaningful portion was deployed towards larger and larger companies, and the distinctions between the syndicated and direct lending markets became increasingly artificial. The differences were primarily driven by fund constraints rather than credit risk (i.e.,

investor vehicles often singularly focusing on either syndicated or direct lending, but minimal flexibility between the two). Today, European upper middle market borrowers consider debt solutions from both markets. For some borrowers, direct origination is preferable given the speed, certainty, and flexibility of these facilities. For others, the scale of the syndicated loan market and pricing make it the preferred solution. And for many, they may toggle between the two based on pricing/spread differentials at any given moment in time. In times of weak issuance in syndicated loan markets, spreads for new deals widen (as was the case in 2022), and consequently, direct lending deal activity increases. Conversely, in times when the BSL new issue market is strong and spreads are dropping (as observed in 2024), many upper middle market borrowers shift away from direct lending in favor of syndicated markets.

In our view, senior secured floating rate loans to upper middle market European borrowers offer high income from stable companies. Upper middle market companies, those with €50 million or more in EBITDA, are generally regarded as stronger borrowers with more resilient cash flows. We see the risk-return profile of European upper middle market companies as superior when compared to lower middle market companies, where you can earn similar spreads through exposure to more robust borrowers. To ensure consistent deployment, investors will increasingly need to be flexible in utilizing both syndicated and direct lending

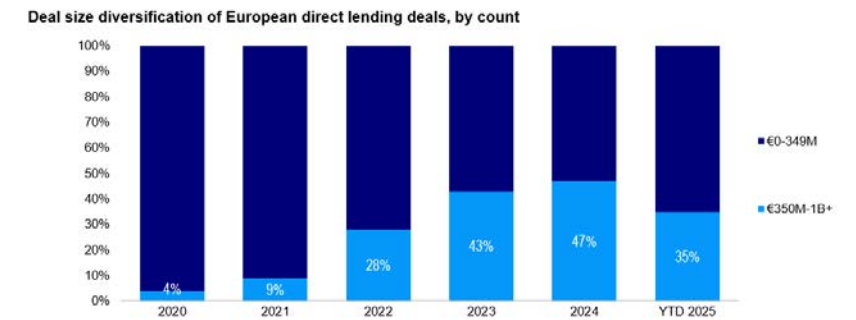
loans within their portfolios, as larger borrowers will continue to move between these markets. Despite the differences in capital access from the borrowers' perspective, we believe that from a client perspective, the portfolio management and credit risk considerations for this exposure should be viewed uniformly as European upper middle market corporate, senior secured floating rate debt.

Experience and Expertise in European Upper Middle Market Lending

Critical value drivers in lending capital to European upper middle market companies relate to sourcing and diligence. From a sourcing perspective, we believe the most important consideration relates to the scale of relationships with the largest deal sponsors in the market, as these are the entities which own firms in the upper middle market. Additionally, some of the largest European banks are playing an increasingly bigger role in the private credit market. We're observing a realignment where banks are looking to direct lenders for partnership rather than as competition. As private credit evolves, integrating direct and syndicated lending is key along with varying exposure via Europe within a portfolio. European private credit can offer enhanced yield and lower correlations to traditional forms of global fixed income, plus provide another layer of diversification. Considering the proliferation of the U.S private credit market, allocating to Europe can be complementary both to existing credit investments and across a broader portfolio. ●

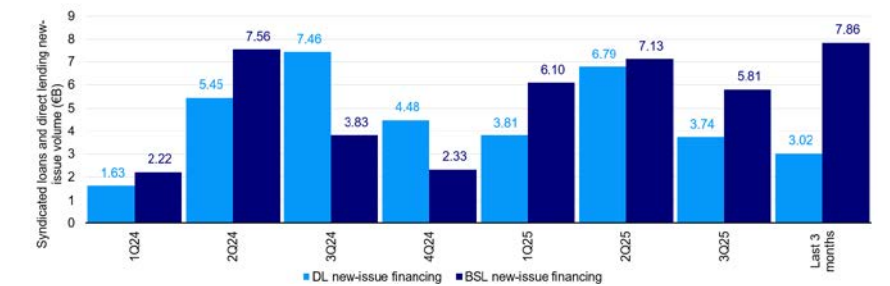
“Considering the proliferation of the U.S private credit market, allocating to Europe can be complementary both to existing credit investments and across a broader portfolio.”

Figure 1: Growth of Upper Middle Market Deals
European upper middle market deals continue to increase



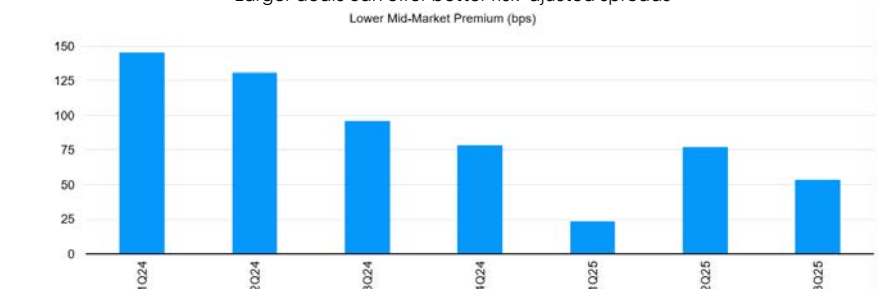
Sources: PitchBook | LCD. Data through October 31, 2025. Analysis based on transactions covered by LCD News; share calculated based on deals where size information is disclosed.

Figure 2: Shifts in Borrowing
Borrowers alternate between BSL and DL



Source: PitchBook | LCD. as of October 31, 2025.

Figure 3: Small premium for smaller deals (<€20M of EBITDA)
Larger deals can offer better risk-adjusted spreads



Source: KBRA DLD Research as of Q3'25; 1L term loans only; Unitranche is based on leverage: >4.0x for an all-senior structure; Lower mid-market defined as <€20M EBITDA.



By **Antoine Drean**,
Founder & CEO at Palico

The Secondary Market for Private Equity Fund Interests: From Tactical Liquidity to Structural Infrastructure

For most of its history, the Private Equity secondary market was viewed as a niche, reactive segment of the broader alternatives ecosystem. It existed primarily to solve problems: distressed sellers, regulatory constraints, or forced portfolio rebalancing. Two decades later, that perception is obsolete. Today, the secondary market for LP interests has become a structural component of private markets, providing liquidity, price discovery, and portfolio management flexibility at scale.

Annual transaction volumes now exceed \$100 billion, a figure that would have seemed implausible only ten years ago. More importantly, the nature of the market has fundamentally changed. What was once dominated by a handful of large, opaque, relationship-driven transactions is increasingly shaped by data, technology, and a growing universe of smaller, repeatable trades. This evolution is not cyclical. It is structural.

A Market Built on LP Needs, not Opportunism

At its core, the LP-to-LP secondary market exists to serve limited partners. Pension funds, insurers, sovereign wealth funds, endowments, family offices, and funds of funds all face the same structural challenge: Private Equity portfolios are long-dated, illiquid, and increasingly

large relative to overall balance sheets. Several long-term forces have made secondary transactions a permanent feature of LP portfolio management:

- **Overallocation management:** The denominator effect has repeatedly forced LPs to sell assets not because of poor performance, but because public markets moved faster than private valuations.
- **Portfolio simplification:** Many LPs hold hundreds of legacy fund positions, often in small sizes, across multiple vintages and managers.
- **Regulatory and accounting pressure:** Solvency constraints, risk-weighted capital rules, and reporting complexity increasingly penalize illiquidity.
- **Governance and operational efficiency:** Boards and investment committees now expect active management of private market exposures, not passive buy-and-hold behavior.

As a result, selling fund interests is no longer an admission of failure. It is a rational portfolio decision.

Scale Matters – But So Does Fragmentation

While headlines tend to focus on blockbuster transactions, the reality of the market is far more fragmented. A significant share of secondary volume consists of transactions below \$10 million, often involving single fund interests, partial positions, or tail-end exposures.

These smaller deals are structurally unattractive to traditional intermediaries:

- Fees are lower in absolute terms.
 - Execution costs are similar to larger deals.
 - Manual processes dominate (NDAs, data rooms, KYC, transfer approvals).
- Yet, in aggregate, these transactions represent a massive untapped liquidity pool. Thousands of LPs globally hold small, non-core positions they would gladly sell—if the process were simpler, faster, and more transparent.

This mismatch between seller demand and execution infrastructure has created the conditions for a technological shift.

The End of a Fully Analog Market

Historically, secondary transactions relied on personal networks, email-based processes, and bilateral negotiations. Price discovery was opaque, slow, and highly dependent on who you knew rather than what the asset was worth. That model does not scale.

As volumes increased and the seller base diversified, the limitations of a purely relationship-driven market became increasingly obvious:

- Price opacity discouraged sellers.
- High friction killed smaller transactions.
- Long execution timelines created uncertainty and fatigue.
- Asymmetric information favored incumbents.

The next phase of the secondary market required infrastructure—not just capital.

Digital Platforms as Market Infrastructure

Over the past decade, digital platforms have begun to reshape how LP secondary transactions are sourced, priced, and executed. These platforms do not replace buyers or sellers; they replace inefficiency. Their value proposition rests on four structural contributions:

1. Aggregation of Supply and Demand
Platforms create centralized marketplaces where multiple buyers can review the same opportunity simultaneously. This dramatically improves liquidity for smaller positions that would otherwise never reach a broad audience.

2. Faster and Fairer Price Discovery
With multiple bids, historical transaction data, and standardized information, pricing becomes less arbitrary. While private markets will never be perfectly transparent, digitalization reduces extreme dispersion and informational asymmetry.

3. Cost Compression
Automation of NDAs, data rooms, compliance checks, and documentation lowers the fixed cost per transaction. This is critical for making sub-\$10 million trades economically viable.

4. Global Reach
A seller in Europe can efficiently reach buyers in North America, Asia, or the Middle East without relying on a single intermediary's network. In effect, platforms transform secondaries from bespoke deals into repeatable processes.

Buyers are Changing too

The buyer universe in the secondary market has expanded well beyond traditional secondary funds. While large funds still dominate headline volumes, they are no longer the only source of demand. Today's buyer base increasingly includes:

- Funds of funds seeking targeted exposure.
- Family offices with long-term capital.
- Insurance companies optimizing capital charges.
- Pension funds selectively adding exposure via discounted entry points.
- Opportunistic investors targeting specific managers, vintages, or strategies.

“The secondary market for Private Equity fund interests has crossed a critical threshold. It is no longer a tactical afterthought or a distressed solution. It is a core component of how institutional investors manage private market exposure.”

Antoine Drean

These buyers are not always looking for \$100+ million portfolios. Many are perfectly happy deploying \$2–10+ million at a time—provided the process is efficient and pricing makes sense.

Digital platforms are uniquely suited to serve this fragmented demand.

Data is Becoming a Competitive Advantage

One of the most underappreciated developments in the secondary market is the growing importance of data.

As platforms execute more transactions, they accumulate proprietary datasets on:

- Fund-level pricing by vintage and strategy.
- Bid-ask spreads over time.
- Buyer behavior and demand elasticity.
- Liquidity dynamics by fund size and geography.

This data increasingly feeds into:

- Indicative pricing tools.
- Automated matching engines.
- Portfolio valuation support for LPs.
- Liquidity planning and scenario analysis.

Over time, this will blur the line between execution venues and decision-support tools.

The Secondary Market as a Risk Management Tool

Perhaps the most important shift is conceptual rather than operational. Secondaries are no longer just about liquidity—they are about risk management.

LPs now use secondary sales to:

- Reduce concentration risk.
- Exit underperforming or non-core strategies.
- Rebalance vintage exposure.
- Free up capital for new commitments.
- Manage regulatory or internal constraints proactively.

In this context, the secondary market functions much like rebalancing in public markets—albeit with lower frequency and higher friction. Digitalization is steadily reducing that friction.

What Comes Next?

Despite its growth, the secondary market remains far from fully efficient. Transfer restrictions, GP consent, inconsistent reporting, and legal complexity will always impose limits. Private markets will never behave like public equities.

But the direction of travel is clear:

- More transactions.
- Smaller average deal sizes.
- Broader participation.
- Faster execution.
- Better data.

The winners will not be those with the largest balance sheets alone, but those who combine capital with infrastructure, technology, and insight.

From Niche to Necessity

The secondary market for Private Equity fund interests has crossed a critical threshold. It is no longer a tactical afterthought or a distressed solution. It is a core component of how institutional investors manage private market exposure.

With annual LP-led volumes over \$100 billion, growing participation across investor types, and rapid digitalization, the market is evolving into a permanent liquidity layer for private assets.

The rise of digital platforms is not a trend—it is the market's response to structural demand. As private markets continue to grow, so too will the need for efficient, transparent, and scalable secondary solutions.

Liquidity, once scarce and stigmatized, is becoming normalized.

And that changes everything. ●



By **Christian Goergen**,
Founding partner
at Catalpa Ventures

HealthTech Investing: Three Interconnected Challenges, One Unique Opportunity To Combine Impact With Economic Performance

Introduction of Catalpa Ventures

Catalpa Ventures is the first Luxembourg-based Venture Capital firm dedicated to investing in early-stage HealthTech startups in Europe. Founded by a team of professionals with backgrounds in medicine, venture capital, and entrepreneurship, the firm recently celebrated its first closing with over €10 million and is on track to reach its total fund target of €30 million by 2027. Catalpa is driven by a mission to improve the health of 100 million people by addressing key challenges facing healthcare systems: an ageing society, a shortage of skilled labor, and rapidly rising costs.

Healthcare is under structural pressure

Across Europe, healthcare systems face challenges that are structural, compounding, and mutually reinforcing. In 2024, 21.6% of the EU population was aged 65 or older and the median age reached 44.7 years, reflecting a demographic shift that directly increases demand for healthcare services and long-term support.

At the same time, healthcare delivery is constrained by workforce availability and rising costs. The WHO projects a shortage of 4.1 million healthcare professionals by 2030. These pressures are not short-term issues that can be solved by incremental

reforms alone. They influence how care is accessed, how quickly patients are treated, and how sustainably systems can operate over time.

In this environment, digital health and HealthTech are increasingly moving from “nice-to-have” to “mission-critical.” They are becoming one of the most important tools to address three interconnected challenges shaping the future of healthcare.

Ageing society: closing the gap between lifespan and health span

Europe’s ageing trend is not only a story about longevity, but also about complexity. As populations age, the prevalence of chronic diseases rises, multi-morbidity becomes more common, and care coordination becomes more demanding. This creates pressure across the system: more consultations, diagnostics, follow-ups, and long-term support.

A key challenge is the widening gap between lifespan and healthspan. People live longer, but often spend more years managing chronic conditions. This has major implications for both individuals and healthcare systems. The European Commission’s 2024 Ageing Report highlights population ageing as a key driver of increasing health expenditure and shows how demographic assumptions influence future spending trajectories.

HealthTech innovation increasingly targets this challenge through earlier detection, prevention, and decentralized care models that reduce reliance on hospital infrastructure and in-person visits. Preventive approaches are particularly relevant because many healthcare systems remain reactive, focusing on treatment after symptoms appear rather than reducing risk earlier.

Shortage of healthcare professionals: scaling care without scaling headcount

The shortage of healthcare professionals has become one of the defining constraints in European healthcare. It is not only a recruitment issue but also a retention challenge. Workload, administrative burden, and burnout contribute to a system where capacity cannot expand quickly enough to match rising demand. The situation is widely documented. A European Parliament briefing on “The Health workforce crisis in the European Union” from September 2025 notes that 20 EU countries reported shortages of physicians and 15 reported shortages of nurses. The same briefing highlights the age structure of the workforce: over one-third of physicians and around one-quarter of nurses in the EU are over 55, implying significant retirement pressure during the coming decade.

This context shifts the focus of innovation. HealthTech cannot and should not replace clinicians, but it can create clinical leverage by enabling professionals to care for more patients safely through improved decision support, monitoring, and workflow efficiency. A concrete example is the first investment of the Catalpa Health Fund I, Noah Labs, which developed a telemonitoring solution for congestive heart failure using vocal biomarkers recorded through a patient’s smartphone. Congestive heart failure is the leading cause of hospitalization in Europe and represents a potential €14 billion annual cost saving opportunity. Remote, AI-supported monitoring can help detect deterioration earlier and focus clinician attention where it is most needed.

Escalating health system costs: efficiency as a clinical priority

Cost pressure is often viewed through a fiscal lens, yet its consequences are increasingly clinical. When systems struggle to fund capacity in line with demand, delayed access, service constraints, and fragmentation become unavoidable. European healthcare spending has almost doubled in the past decade, reaching around €1.8 trillion for EU-27 countries in 2025, or roughly 10% of GDP. This level of spending highlights both the importance of healthcare and the scale of the challenge. Even modest efficiency improvements can translate into meaningful system-level impact. HealthTech can contribute to cost containment when it reduces avoidable high-cost utilization, improves care coordination, or streamlines clinical pathways. One example is Catalpa portfolio company Remi Health, which enables remote diagnostics and screening models that shift testing from facilities to the home, reduce unnecessary in-person visits, and support earlier intervention when appropriate. The goal is not digitization for its own sake but measurable efficiency: fewer avoidable admissions, earlier detection, improved adherence, and reduced administrative burden.

Why “now” looks different: technology maturity meets system necessity

The challenges of ageing populations,

“Ageing societies, shortages of healthcare professionals, and escalating system costs are converging into a single mandate for change.”

Christian Goergen

workforce shortages, and rising costs are not new. What has changed is the feasibility of addressing them at scale. Artificial intelligence capabilities, smartphone-based diagnostics, and remote monitoring tools have matured significantly, while hybrid care models have become more accepted by both patients and providers. Investment activity also reflects this shift. European HealthTech companies continue to attract significant funding, suggesting that investors increasingly believe scalable digital solutions can deliver both clinical and economic value.

Luxembourg’s role: small country, high leverage

Luxembourg has an opportunity to contribute meaningfully to Europe’s healthcare transformation by strengthening the connections between innovators and healthcare systems through validation pathways, partnerships, and implementation capacity. A notable recent development is the creation of HIVE (www.hive-services.lu), which aims to strengthen ecosystem infrastructure and foster collaboration between innovators and healthcare stakeholders. With more than 100 members including hospitals, research organizations, startups, and venture investors, the network is growing quickly and demonstrates the value of close collaboration.

Why European HealthTech is emerging as a high-quality VC category

From a venture and private markets perspective, health-related innovation increasingly shows characteristics associated with resilient investment categories: durable demand, large addressable markets, and multiple exit pathways. Healthcare demand is fundamentally non-discretionary. Patients require diagnosis, treatment, and long-term management regardless of consumer sentiment or corporate IT bud-

gets. In a market where many technology sectors are exposed to cyclical spending cuts, HealthTech benefits from structural drivers such as ageing populations and the growing prevalence of chronic disease.

This resilience is particularly relevant in today’s volatile environment. Europe continues to navigate uncertainty from inflation, interest rate sensitivity, geopolitical disruptions, and political instability in global markets. In such periods, healthcare systems do not pause. If anything, pressure around workforce capacity and cost containment intensifies.

European HealthTech also offers diversification in commercialization and exit routes. Innovation can scale through providers, payers, patients, pharmaceutical companies, medtech firms, and even employers. On the exit side, the market benefits from active strategic acquirers and growing private equity interest in scalable healthcare software and services.

Three interconnected challenges, one unique opportunity

Ageing societies, shortages of healthcare professionals, and escalating system costs are converging into a single mandate for change. HealthTech can help address these pressures through remote diagnostics, AI-supported monitoring, workflow automation, and hybrid care models. Lasting impact, however, will depend on ecosystem infrastructure and clear implementation pathways that enable adoption at scale.

From an investment perspective, European HealthTech combines durable demand with large markets and multiple exit opportunities, making it a resilient category even in volatile times. As political and macroeconomic uncertainty persists, solutions that increase productivity and efficiency in care delivery remain strategically relevant, because healthcare demand does not pause. ●



By **Marc Beaujean**,
Conducting Officer
at BXVentures



and **Fernand Dimidschstein**,
Chair, Investment Committee
at BXVentures

Building Technology Ventures for a Liveable Biosphere: Introducing BXVentures Climate Tech Fund I

Europe's universities are brimming with climate innovation, yet too few of those breakthroughs make it from lab benches into factories. The reasons are well-known to anyone who has tried to spin out deep tech: limited business capacity inside research teams, difficulty accessing early capital tailored to climate hardware, and a lack of industrial partners ready to scale. The result is a "too big a step" chasm between R&D and commercialization: precisely the gap BXVentures was created to bridge.

A venture studio purpose-built for industrial decarbonisation

BXVentures operates a hands-on venture studio model dedicated to turning validated academic science into investable, industrially relevant businesses. The studio de-risks and accelerates each venture by securing product-market fit, defining an IP roadmap, sourcing talent, opening corporate networks, and structuring capital—end to end. The mandate is explicit: move technologies from TRL 4 to TRL 7, typically in 4–5 years, then exit to industrial buyers or later-stage investors just before large-scale deployment. Compared with traditional spin-offs, this approach compresses timelines and capital needs to roughly €4–6 million per venture.

The investment thesis covers four technology stacks that map to the value chain of industrial decarbonisation—Fuel Switching & Energy Storage; Sustainable Resource Shift; Direct Environmental Impact Mitigation (e.g., water, air); and Carbon Capture, Utilization & Storage (CCUS)—so the portfolio can create measurable climate outcomes "before the factory, in the factory, and after the factory."

A Luxembourg vehicle designed for scale, impact and control

BXVentures Climate Tech Fund will be structured in Luxembourg as an SCSp, with BXVentures Luxembourg GP S.à r.l. as General Partner and Hauck Aufhäuser Fund Services as AIFM. The fund targets up to €75 million across successive closings and is designed as an SFDR Article 9 product, fully aligned with EIF's CA&ES taxonomy and MiFID II sustainable finance criteria. Target terms include an 8% hurdle with GP catch-up and 20% carry, reflecting a performance-linked, impact-accountable setup. The fund life is 8 years (+3), with the first distribution-to-paid-in (DPI) targeted early: initial exit in Year 3 and 100% DPI by Year 4. Planned fundraising milestones are staged to match the studio's pipeline maturation: €6 million (Q4 2025) for

first incorporations, €20 million (Q3 2026), €50 million (Q2 2027), and €75 million (Q1 2028) at final close. This phased approach maximises capital efficiency while keeping governance and venture pacing under tight control.

Why a studio model in climate hardware?

Deep tech commercialization is execution heavy. BXVentures' "hands-on incubator+" model is built for that reality: the team forms and operates each venture alongside the inventors, secures non-dilutive funding where possible, and keeps majority ownership to stay agile through engineering and pilot stages. The goal is to hand over to industrial owners as soon as the technology has been proven in a relevant environment (TRL 7), when scale-up risk becomes predominantly an industrial task rather than a venture-stage one. In portfolio terms, the model targets ~35% IRR and ~2.8x MOIC while focusing capital where it changes risk, not where it merely funds scale.

Crucially, the studio's scope is matched to the EU policy and funding context. The team actively taps into the abundant public instruments at the climate-industry crossroads (EIC, Horizon, Innovation Fund, EIT InnoEnergy and others), enabling lower net equity per venture and improving loss ratios by moving multiple technologies through a standardised venture-building process.

Traction to date: from university MoUs to incorporated ventures

Since 2022, BXVentures has assembled a senior, multidisciplinary team (scientists, operators, financiers) and signed five technology transfer agreements with leading universities in Belgium and France (including CNRS). From a long list of ~100 technologies scouted, 12 have passed the firm's proprietary technical and business diligence to form the initial pipeline. Two ventures

“The goal is to hand over to industrial owners as soon as the technology has been proven in a relevant environment (TRL 7), when scale-up risk becomes predominantly an industrial task rather than a venture-stage one.”

are already incorporated and progressing through TRL 4–5, with three additional ventures launching in December 2025 and January 2026. Parallel to venture building, BXVentures maintains an active network of potential buyers to pre-align exit paths.

The pipeline spans the four decarbonisation pillars: from alternative water filtration and sensors for electrical equipment, to heat-harvesting modules, lithium recovery membranes, high-value CO₂ conversion, asbestos detection kits and more. Each mapped to clear industrial customer sets and capital plans. The transparency of that pipeline allows capital allocation to be planned from day one of closing.

Case in point: Thermo Power

Thermo Power, one of the studio's early ventures, develops plug-and-play thermoelectric modules that convert industrial waste heat into electricity. The proposition is compelling for energy-intensive sectors (chemicals, steel, cement, pulp & paper) and offers low total cost of ownership, maintenance-free operation and potential eligibility for carbon credits. Since incorporation in May 2023, the company has closed a first VC round, arranged a second, and secured €500k+ in innovation grants. An independent valuation analysis by Kroll in early 2025 estimated a €3 million fair value, and the studio targets a staged path to TRL 7 with multiple prototypes across industrial contexts before exit. Internal analytics indicate a capital efficiency ratio of ~0.25 => roughly €0.25 of capital to generate €1 of value.

A flexible participation model for strategic and financial LPs

The fund has been designed for both diversified LPs and strategic co-investors. In addition to committing as an LP to the Article 9 fund, investors may take ad-hoc direct positions in selected ventures (typical tickets €500k–€2m) and, where relevant, participate in governance. This dual track offers either broad portfolio exposure or targeted alignment with a corporate's decarbonisation roadmap.

Given the industrial nature of the pipeline, BXVentures is engaging across seven investor archetypes: industrial CVCs, climate-tech VCs, HNWIs, family offices, institutional investors, regional funds, and EU/sovereign vehicles focused on climate and reindustrialisation. The Luxembourg domicile, the studio's control at venture level, and pre-defined exit routes combine to mitigate early-stage risk while preserving upside.

What this means for Luxembourg

Luxembourg has built a unique position at the intersection of sustainable finance, private markets, and cross-border structuring. BXVentures Climate Tech Fund I adds a hardware-centric, industrial dimension to that ecosystem. Marrying Article 9 impact integrity with a pragmatic, operator-led approach to value creation. For LPEA members, the proposition is simple: a pipeline-first, studio-run, Luxembourg-governed vehicle turning European science into factories-ready climate solutions, with first exits expected as early as Year 3. ●



By **Lukas Eckhardt**,
Head of Golding Luxembourg

Navigating Complexity: Why Private Equity Firms Need More than a Simple Service AIFM

A Market in Transition: Regulation, Fund Tech, Expectations and Strategic Pressure

The private markets industry is undergoing a structural transformation. Regulatory frameworks continue to expand, the operational depth required to run (cross-border) fund strategies is rising, digitalization and fund tech kicks-in, and investor expectations have evolved to a point where managers must demonstrate more than deal expertise. General Partners across Europe and increasingly from the United States are reassessing how they structure and operate their funds in this dynamic environment. Within this shift, Luxembourg has consolidated its position as 2nd most relevant hub for international fund activity after the US. Its regulatory clarity, mature ecosystem and adaptability make it an ideal environment for managers seeking scalable, compliant and investor-ready platforms. Yet the needs of GPs have moved far beyond what standardised AIFM services or traditional fund administration were originally designed to provide. What the market demands is a combination of regulatory certainty, operational flexibility and a strategic understanding of how investment teams actually work and what service level the ultimate client, the LP, expects.

Why Traditional AIFM Models Reach Their Limits

The forces behind this development are well recognised. Private markets have expanded significantly over the past decade, not only in terms of capital, but in terms of strategy, portfolio design and governance requirements. Investment approaches have become more specialised, more transaction-driven and more focused on operational value creation. LPs have responded with heightened expectations: they request transparency, documented processes, clear governance models and a demonstrably robust risk and sustainability framework. At the same time, the regulatory environment has become more demanding. AIFMD II, DORA, SFDR, valuation standards and substance requirements have grown in scope and relevance. Compliance today is not simply about ticking boxes; it requires a deep, practical understanding of how rules apply to real investment situations.

Luxembourg, with its mature and internationally compatible framework, is well positioned to accommodate this complexity. The jurisdiction offers a combination of regulatory certainty, flexible structuring options and an ecosystem that is highly familiar with the nuances of cross-border private

markets activity. For many managers, particularly those with diverse investor bases, the Luxembourgish environment provides the clarity and reliability needed for long-term institutional fundraising. But the market has also reached a point where the conventional AIFM model, often perceived as largely administrative, no longer meets the strategic needs of managers whose strategies depend on speed, proximity to decision-making and deep integration of regulatory and operational know-how.

While in recent years price often appeared to be the primary criterion when Private Equity firms decided to set-up a Luxembourg fund, pushing AIFMs and service providers into a highly standardized, scale-driven operating models, there is now a renewed focus on team quality and, in particular, stability. This shift supports the establishment of lasting personal relationships and a consistently high level of service quality, especially within more specialised market segments.

What GPs – and LPs – Expect Today: Client Centricity, Delivered Within a Robust and Compliant Operating Framework

This evolution is visible in the expectations of institutional investors.

They increasingly assess not only the investment strategy, but the structuring know-how and the operational readiness of a manager. Governance, valuation processes, risk management, reporting accuracy, continuity of responsible staff and the integration of sustainability factors have become essential components of a credible fund setup. For GPs, this implies that their operating model must be consistent, scalable and aligned with both strategy and regulation, while operated at the required EBITDA margin.

Partnering and delegation play a central role in this context. Against the backdrop of cost considerations, more and more GPs are entering operating partnerships with AIFM and Fund Administration providers with the ultimate target to focus on their key value propositions: deal execution and fundraising. However, delegation only works if the surrounding governance is sound. Investors want to understand who performs risk and valuation oversight, how substance is ensured, which bodies take responsibility for escalation and decision-making, and how conflicts of interest are identified and managed. These questions reflect the broader expectation that operational discipline is inseparable from investment performance. Modern AIFM platforms therefore need to provide a framework that offers structure for operational execution without becoming a bottleneck, one that enables rather than slows down investment activity.

From Scale to Specialist: Why Flexibility and Quality are Key Success Factor

A further structural trend is the consolidation of the AIFM market itself.

“The future of the AIFM model lies in the integration of regulatory excellence with operational agility and strategic alignment.”

Lukas Eckhardt

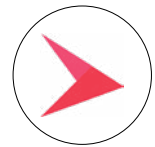
Luxembourg has seen notable concentration among large providers, driven by scale effects, commercial pressure and regulatory demands. While this development has brought efficiency to some segments, it has also reinforced the limitations of highly standardised models. Many GPs – and increasingly LPs – are pushing back, favouring more agile AIFMs that offer stability, closer collaboration, focus on the LP-journey and output quality, faster decision-making and strategy-aligned interpretation of regulatory requirements. This approach resonates especially with managers operating transaction-heavy strategies or those whose value creation depends on rapid and coordinated execution or who expect flawless output quality. For such GPs, a flexible and engaged AIFM partner becomes an operational advantage rather than just a necessity.

The international dimension adds another layer of complexity. US managers entering Europe often encounter a regulatory landscape that differs fundamentally from what they are accustomed to. The principles of AIFMD, the practical implications of SFDR classifications, European valuation norms, local governance expectations and substance requirements can be difficult to navigate, not in theory, but in daily operations. For these managers, the deciding factors for a successful market entry are a fully licensed platform, a governance framework that meets European standards and processes that ensure transparency, consistency and

compliance. Without these elements, fundraising across Europe becomes challenging regardless of track record or brand. Moreover, they often require their European AIFM to act as coach when navigating through the jungle of European regulatory and tax legislation.

Taken together, these developments point to a clear conclusion: the future of the AIFM model lies in the integration of regulatory excellence with operational agility and strategic alignment. The market no longer separates investment capability from governance and process quality; instead, investors evaluate them as part of a single, coherent end-to-end framework. Luxembourg will continue to play a central role in this evolution, not only because of its regulatory infrastructure but because it offers the environment in which tailored, institutional-grade operating models can develop.

For GPs, this shift presents an opportunity. It enables them to refocus on the areas that differentiate them, investment strategy, sourcing, value creation, while relying on platforms that provide the stability, clarity and governance required by a global investor base. As private markets continue to mature, the models that succeed will be those that recognise that regulatory depth, operational excellence and strategic understanding are not competing priorities but essential components of a well-structured and future-proof fund platform.●



By the LPEA Tax Committee

Luxembourg – Carried Interest Revamp

A new era for front office talents in Luxembourg

Luxembourg has adopted a modernised, two-track carried interest tax regime effective **1 January 2026**, offering competitive and clear tax treatment for performance-related compensation applicable to a broader set of beneficiaries, reinforcing Luxembourg’s appeal for private equity and alternative fund professionals.

Key Features of the New Regime

Type	Participation Carry <i>(linked to a direct/indirect holding)</i>	Contractual Carry <i>(no equity stake required)</i>
Tax treatment	Not taxable <i>(under specific holding conditions)</i>	75% exemption
Effective marginal rate	0%	~12.85% max <i>(depending on overall income)</i>
Eligibility	Individuals involved in investment management, employees or not <i>(purely administrative functions excluded)</i>	
Fund type	Alternative Investment Funds (AIFs) – domestic or foreign, new or existing	
Application	Automatic; report on annual tax return	
Hurdle / performance requirement	Aligns with market “overperformance”	

Who Can Benefit?

- Fund managers
- Investment advisors
- Partners of management companies
- Service providers (advisory services)
- Independent directors and investment committee members

Main Takeaways

- Applies to new and existing arrangements, including “deal-by-deal” carry
- No employment requirement
- Carried interest tax treatment applies regardless of how carry is delivered to participants (distribution, disposal of carry shares, etc.)
- Simplifies tax treatment for transparent funds by treating them as tax-opaque for carry purposes, regardless of the classification of the fund’s underlying income – ensuring compliance is straightforward and strategies compete on a level playing field

Why Luxembourg? Competitive Tax and Quality of Life

Progressive income tax rates

- 8–42%
- Broad exemptions and preferential regimes
- Example: Impatriate regime offers 50% exemption on annual remuneration up to €400,000 for eight years after relocation

Extensive double tax treaty network

- Reduces double taxation risks

High-quality social security and healthcare system

- Includes coverage for family members
- Ensures a smooth transition

Favourable tax framework for private income and private wealth

- No wealth tax

Relocation Support: The Human Side of Talent Attraction

Testimonial

“Our priority was finding the right school for our children. Housing in Luxembourg is competitive, so I moved ahead to secure an appropriate home. A relocation agent provided a curated shortlist, handled registrations, and removed administrative stress. This support made the transition seamless.”

Paddy Croft,
Astorg Asset Management

Advice for Future Relocators

1. Connect with peers who have relocated to learn best practices.
2. Engage a reputable relocation agent to navigate housing, legal, and daily life needs.
3. Join local professional and social networks to integrate quickly.

Moving to Luxembourg: Relocation Ecosystem

Moving for a new role is not just about work – it is a life-changing transition. Luxembourg’s relocation ecosystem supports professionals and their families from day one.

A. Immigration & Compliance

- Work authorisation and residence permits
- Legal compliance for international hires
- Guidance for intra-company transfers
- Support for highly qualified professionals and family members

B. Home & Daily Life Integration

- Housing search in a competitive market
- Bank account setup
- Town hall registration
- Driving licence formalities
- School placements in Luxembourg’s multilingual system
- Healthcare enrolment and social benefits

C. Family & Cultural Integration

- Orientation programs for employees and families
- Spouse/partner career support
- Networking and community connections

Luxembourg: Where Talent Thrives

Tax-efficient carried interest regime supporting high-value professionals

Robust relocation ecosystem ensuring compliance, comfort, and integration

A move to Luxembourg is not just a career step – it is a professionally and personally rewarding transformation, supported by world-class tax benefits and relocation infrastructure in an English-friendly, internationally connected community.

PE in Luxembourg Guide





By **Gregorio Pupino**,
Head of European Fund Services
at Centralis



and **Bruno Stockemer**,
Head of Business Development
at Centralis

Rolling out the Red Carpet: How to Provide the VIP Experience for Carry Holders whilst Navigating Increased Complexity

As the new Luxembourg bill highlights, carried interest is a unique tool for the private capital industry and is often viewed as the holy grail of compensation by industry executives.

Carry vehicles are a fundamental part of the investment fund structure: they serve the purpose of allocating the carried interest to the carry holders, asset manager executives, managers and employees as part of a broader management incentive plan.

Why are Carry Vehicles Becoming more Complex?

What differentiates this class of vehicles from others is they sometimes associate the carry allocation to a co-investment activity *pari passu* with the rest of the fund investors.

They are corporate vehicles that are not classified as Alternative Investment Funds but do work in practice as small fund entities, with investor allocations, capital activity notices, NAV valuations and capital account statements. Association with the high profile and visibility of the carry holders, makes the administration complex and sensitive at the same time.

In-house teams, often kept quite lean, have historically been entrusted with the administration of carry & co-invest vehicles. This has been driven by the need to have a tailored approach in dealing with key components of an internal stakeholders remuneration package.

The same need has also increased the complexity of these vehicles over time: different classes of stakeholders require different allocation rules, with staff changes triggering updates in the carry-holders' structure, vested interest and proceeds settlement, as well as exceptions to the general rules granted on a case-by-case basis.

This complexity is probably better managed by the asset manager at the beginning of the vehicle life cycle, when allocations are static, there is not yet any distributable carry and the number of the funds under management is limited.

Considering the exponential growth achieved by the industry over the last decade, resulting in an increase in the number of funds, employees and associated regulation, this type of operational framework can become challenging for in-house teams.

Managing Complexity in Carry Structures

This is the point when we normally see an initial outsourcing of some tasks, such as corporate accounting or the carry holders allocations, whereas the internal HR team of the asset manager still handles carry holders onboarding and communication.

This usually triggers some debate within asset managers' teams: outsourcing can feel counter intuitive as it is often associated with standardization, therefore delegating such tasks can feel like a loss of control for management.

As a result, the co-sourced solution is sometimes preferred. It allows to leverage the same dedicated technology used by the administrator for fund entities, to automate most of the processes. At the same time it allows to stick to the preferences of the HR and Finance teams in maintaining certain functions and data access in-house, for internal reporting needs or stakeholders' preference.

A strong focus on data privacy and access segregation is also paramount when it comes to assigning access rights on a need-to-know basis, now

“Carry Vehicles are corporate vehicles that are not classified as Alternative Investment Funds, but do work in practice as small fund entities, with investor allocations, capital activity notices, NAV valuations and capital account statements.”

more important than ever. In this case that could involve C-suite executive among the investors.

Having a solid control framework environment, with access rights periodically maintained and reviewed, helps to achieve the target, whilst always allowing data accessibility and consistency to the restricted group of users identified.

If we turn back to the 16th century, “carried interest” was the share of profits a ship’s captain earned from the goods they transported - a reward for navigating uncertain waters. Since then, the concept has evolved, and the financial world has grown vastly more complex. Today, enhancing the operational framework is not just an option but a necessity for asset managers. It empowers them to integrate new emerging technologies and continue navigating safely in the ever-changing seas of the future. ●



By **Minka Mansfeldt**,
Relocation Consultant at LuxRelo |
Immigration & Relocation Services

Make or Break a Move to a New Job or Country? Understanding Relocation Services in Luxembourg

When a talented executive accepts a position in Luxembourg, or when a Private Equity firm recruits a senior professional from abroad, the announcement marks the beginning of what should be an exciting new chapter.

Yet behind every successful international move lies a complex web of administrative procedures, regulatory requirements, and practical challenges that can quickly transform excitement into overwhelm. This is where relocation professionals step in, not as luxury service providers, but as essential facilitators who bridge the gap between immigration law, housing markets, cultural integration, and the day-to-day realities of settling into a new country.

In Luxembourg, where a big part of the workforce is composed of foreign residents, relocation services have evolved from a niche offering into critical support for corporation's workforce. This can mean the difference between the success or failure of integrating an employee and their family into a new life in Luxembourg.

What Relocation Really Means: Beyond Moving Boxes

The term "relocation" is often misunderstood. It encompasses far more than

arranging furniture transport or booking temporary accommodation. Professional relocation service providers, like LuxRelo, address three fundamental pillars: legal compliance, practical settlement, and human integration – all while maintaining the human touch.

IMMIGRATION: The legal dimension begins with work authorisation. Luxembourg's immigration framework, presents significant complexity for employers and employees alike. Different permit types apply depending on employment contract terms, intra-company transfers, and highly qualified worker status. Navigating the Immigration Office work permits requirements, obtaining authorisation to stay, and ensuring all documentation meets current requirements demands both expertise and constant attention to regulatory updates. A single missing document or procedural misstep can delay an employee's start date by weeks, creating cascading complications for both the hiring organisation and the incoming professional.

MAKING LUXEMBOURG YOUR NEW "HOME": Relocation addresses the immediate needs that transform Luxembourg from a destination into a home. This includes:

- identifying suitable housing in a challenging market,

- opening bank accounts that require specific documentation,
- registering with the Town Hall,
- arranging international school placements in a multilingual education system,
- understanding healthcare enrolment,
- navigating everyday necessities like obtaining or exchanging a driving licence and signing up to Child Benefits
- and, last but not least, getting an insider's track on life in Luxembourg.

Each of these seemingly simple tasks carries its own administrative requirements and potential pitfalls for newcomers unfamiliar with local systems.

Equally important is integration. This includes orientation to Luxembourg's tri-lingual environment, cultural briefings that prevent common misunderstandings, connection to relevant professional and social networks, spouse and partner career support, and ongoing assistance during the critical first months when questions arise daily.

The HR Perspective: How Relocation Services Transform the HR Experience

Without professional relocation support, some HR teams can find them-

“The key goal of relocation services is reducing stress and creating happiness – it can make or break one's future life in a new job, in a new country.”

Minka Mansfeldt

selves managing tasks far outside their core expertise. They become amateur immigration experts interpreting work permit requirements, unofficial housing agents reviewing rental contracts in French, cultural guides explaining Luxembourg's administrative peculiarities, and crisis managers when something goes wrong – something inevitably does!

This scattered focus creates several problems. It dilutes HR's ability to concentrate on strategic talent management and organisational culture. It exposes the company to compliance risks, immigration violations - even unintentional ones, can carry serious consequences.

Relocation professionals eliminate these issues by providing a single point of contact for all mobility-related matters. HR gains a strategic partner who manages the entire process, provides regular status updates, escalates issues

before they become crises, and ensures regulatory compliance through specialised knowledge. This allows HR to remain focused on welcoming the new employee professionally while trusting that the logistical complexity is being handled expertly.

Moreover, relocation professionals often identify and resolve issues before the hiring company even knows they exist. A permit application rejected due to an overlooked requirement is corrected and resubmitted. A housing search is adjusted based on family needs discovered during initial consultations. This proactive problem-solving prevents the urgent phone calls that disrupt HR teams and create stress for incoming employees.

The Employee Perspective: From Overwhelming to Manageable

For the individuals and families moving abroad, relocation support often means the difference between suc-



“Moreover, relocation professionals often identify and resolve issues before the hiring company even knows they exist.”

Minka Mansfeldt

cess and failure – happiness and misery. Research consistently shows that assignment failures, when expatriates return home prematurely or perform below expectations, rarely stem from professional inadequacy. Instead, they result from unsuccessful personal and family adaptation.

The employee faces simultaneous pressures: proving themselves in a new role, establishing credibility with new colleagues, and managing all the administrative tasks required to establish life in a new country. When these pressures converge with family stress, an accompanying spouse struggling to find purpose, children unhappy at school, or simply the accumulated frustration of dozens of small administrative failures, performance suffers and satisfaction plummets.

Relocation professionals alleviate this burden through three mechanisms.

- First, they provide expertise, transforming complex procedures into clear step-by-step processes
- Second, they offer time savings, tasks that might consume weeks of an assignee's evenings and weekends are handled efficiently during business hours.
- Third, they reduce stress by serving as reliable guides who have solved these exact problems hundreds of times before.

Consider a typical scenario: a senior

manager arrives in Luxembourg to begin a demanding role. Without relocation support, she spends her first weeks in temporary housing, frantically searching for apartments during lunch breaks, attempting to schedule Town Hall appointments while managing conference calls, and growing increasingly frustrated with requirements she doesn't understand.

With relocation support, she arrives to find a shortlist of pre-screened apartments matching her criteria, a clear timeline for all administrative tasks, scheduled appointments with bilingual assistance, and a knowledgeable professional handling complications as they arise.

The key goal of relocation services is reducing stress and creating happiness – it can make or break one's future life in a new job, in a new country.

Luxembourg's Relocation Ecosystem: A Competitive Advantage

Relocation agents in Luxembourg maintain extensive networks across ministries, real estate agencies, international schools, and professional organisations. These relationships enable faster processing, better communication, and creative problem-solving when standard procedures encounter obstacles. A well-connected relocation professional can often resolve in one phone call what might take an unassisted newcomer weeks of bureaucratic navigation.

The sector's maturity also means established best practices, quality standards, and professional accountability. Reputable relocation professionals understand they're not merely service providers but ambassadors for Luxembourg itself. A positive relocation experience shapes how international professionals perceive the country and influences whether they recommend Luxembourg to colleagues and whether they choose to build long-term careers here.

Conclusion

In an era when talent mobility defines organisational success and national attractiveness, the ability to relocate professionals smoothly, compliantly, and humanely creates tangible business value.

For HR departments, relocation professionals provide strategic partnership, risk mitigation, and operational excellence.

For employees and their families, they offer expert guidance, time savings, and stress reduction during life's major transitions. And a human touch when you most need it.

The next time a senior executive settles successfully into a new Luxembourg role, there's likely an experienced relocation professional who ensured that the invisible complexities never became visible problems, allowing both the individual and the organisation to focus on what truly matters: professional excellence and contribution to Luxembourg's dynamic economy. ●

Case Study



Interview with **Paddy Croft**,
Head of Tax
Astorg Asset Management

From London to Luxembourg: A Relocation Journey

Tell us about your role and business rationale for your relocation.

I am Head of Tax at Astorg Asset Management. Astorg is a Luxembourg-headquartered Private Equity manager investing across healthcare, technology and business services predominantly in Europe, but also with an operation in North America. I am responsible for tax matters across the organisation with a focus on transaction, fund and carried interest structuring.

I relocated from London to Luxembourg personally in April 2025, with my family joining in August. The key driver was to be closer to Astorg's other operational teams, who are largely based in Luxembourg. Whilst much day-to-day work takes place on email and Teams, in my experience teamwork and collaboration are significantly more effective with regular in-person interactions.

What attracted you to Luxembourg on a personal level?

As a family, we were attracted by the quality of schools, high level of safety and, Luxembourg's multi-cultural environment. Our children were young enough (six and three) that moving was less disruptive than it might have been at a later stage. In addition, given my professional background, it would be remiss not to mention that there are various tax features that can make Luxembourg attractive to newcomers (e.g. impatriate regime and new carried interest regime).

What was your experience of the relocation process?

Our priority was identifying the school that we thought would be the best fit for our children (OTR International School in Belair). Thereafter, based on what I had heard about the Luxembourg housing market, my key concern was finding an appropriate place to live. This was one reason that I moved four months ahead of my family. After many years in the UK, I was also apprehensive of the administrative burden involved in settling in a new country.

In practice, this was made significantly easier by working with a relocation agent. They provided a curated shortlist of properties. One of these had only just become available and was still off-market – it was perfect in terms of location, size and price and was luckily where we ended up. The agent also handled all registrations and services that we needed to sign up to, removing a great deal of stress.

What advice would you give to anyone considering a relocation to Luxembourg?

First, try to speak to other people in your network who have made the same move, or can put you in touch with someone who has. Learning what worked well or badly for others is invaluable.

Second, seriously consider using a reputable relocation agent and explain to your employer why this support matters. As well as the assistance mentioned above, they can also introduce other trusted service providers – such as LuxRelo – who may be needed (e.g. buying a car, preparing tax returns, etc).

Finally, when you have moved, try to connect to as many new groups and associations as possible (both professionally and outside work). Our family has found these communities to be very welcoming, and they have greatly enhanced our "first year experience".

“After many years in the UK, I was also apprehensive of the administrative burden involved in settling in a new country. In practice, this was made significantly easier by working with a relocation agent.”

Paddy Croft



By **Paul Conroy**,
Group Head of AIFM
at Aztec Group



and **Michel Lempicki**,
Managing Director at
Quantyx

How Technology is Transforming AIFM Risk Management: From Regulatory Burden to Strategic Value

The risk management landscape for Alternative Investment Fund Managers (AIFMs) is undergoing a profound transformation. Aztec's Group Head of AIFM Services Paul Conroy and Quantyx Managing Director Michel Lempicki explain how a partnership approach combining market-leading technology and skilled teams can create a risk management solution which can truly add value.

As regulatory requirements grow more complex and investor expectations rise, the limitations of traditional, manual approaches - often reliant on spreadsheets and fragmented workflows - are increasingly apparent. These legacy methods introduce inefficiencies, heighten operational risk, and constrain scalability. In this context, technology is emerging as a critical enabler, fundamentally strengthening the risk management process and repositioning AIFM services from a regulatory necessity to a strategic value-add.

The case for technology-driven risk management

Historically, AIFMs have managed risk through labour-intensive processes, with data scattered across disparate

systems and manual interventions at every stage. This approach increases the likelihood of human error and makes it challenging to maintain robust controls or respond quickly to regulatory changes. The adoption of advanced technology platforms is changing this paradigm. Purpose-built risk management systems automate data aggregation, risk analysis, and reporting, providing a single source of truth and enabling real-time oversight. One of the most significant advantages of these platforms is their ability to address the unique risk profiles of different asset classes. Unlike generic solutions, leading platforms now offer tailored risk categorisation and reporting for the different private asset classes including private equity, real estate, infrastructure, private credit,

and fund-of-funds. This granularity is essential, as each asset class presents distinct risk factors and regulatory considerations. For example, the risk analysis required for a real estate fund is fundamentally different from that of a fund-of-funds, and a one-size-fits-all approach is no longer sufficient for sophisticated managers, regulators or indeed investors.

Operational efficiency, regulatory confidence, and human expertise

The benefits of a technology-driven approach extend beyond accuracy. Automation enables AIFMs to scale their risk management functions rapidly, onboarding new funds and strategies without a linear increase in headcount. This is particularly valuable in a market where growth is often constrained by the availability of skilled personnel and the cost pressures associated with regulatory compliance. By adopting a per-portfolio business model, AIFMs can align costs with revenues, scaling up or down as needed and maintaining close control over expenses.

Regulatory scrutiny is another area where technology delivers tangible value. Modern platforms are designed with compliance in mind, incorporating features that support AIFMD and

the Digital Operational Resilience Act (DORA) requirements. Automated pre-trade risk clearance, ongoing risk limit monitoring, and data validation against fund risk profiles are now achievable at scale, reducing the risk of breaches and ensuring that controls are consistently and timely applied.

Yet, technology alone is not enough. The partnership between Aztec Group and Quantyx exemplifies how combining cutting-edge technology with teams of industry-specific experts creates a bespoke managed partnership optimised for all private markets asset classes and strategies. This tech-enabled risk management solution is unique in the market today, evolving as tech capabilities do, and is distinguished by close collaboration to deliver best-in-class risk reporting at both fund and asset levels.

Data management, integration, and client-centric excellence

A critical component of effective risk management is the ability to aggregate and exchange data seamlessly across systems. Technology platforms that offer integrated data management capabilities eliminate duplication, reduce manual intervention, and support more accurate and timely reporting. For larger AIFMs, the investment in data exchange infrastructure is justified by the scale of their operations, but even smaller managers benefit from solutions that streamline workflows and facilitate collaboration with service providers.

The human dimension remains vital. Teams interpret data, anticipate challenges, and provide strategic guidance, transforming a tech-enabled service into a client-centric managed solution. The solution includes risk assessments at fund and asset levels, covering both qualitative and quantitative key risk indicators (KRIs) tailored to specific strategies. Data are pulled from underlying fund documentation, collected

“The benefits of a technology-driven approach extend beyond accuracy. Automation enables AIFMs to scale their risk management functions rapidly, onboarding new funds and strategies without a linear increase in headcount.”

and stored in the software application. Freeing people from repetitive tasks necessary for efficient fund administration means more time to focus on building relationships, solving complex problems, and delivering value beyond compliance.

Integrated risk management: real-world impact

Clients benefit from real-time risk monitoring and robust compliance frameworks, reducing exposure and enhancing investor confidence. Automation eliminates duplication and manual intervention, delivering faster turnaround times and cost savings without compromising quality. Seamless data exchange between systems ensures accurate reporting and clear audit trails. Whether managing a single fund or a complex portfolio, the model adapts seamlessly to client requirements, which supports scalability. Built on a robust Microsoft Azure infrastructure and leveraging Aztec SharePoint, Quantyx's risk management platform offers deep integration capabilities, supporting multiple private asset classes, to meet the highest regulatory standards possible. Enhancements are driven by user feedback and a commitment to operational efficiency and regulatory excellence.

The future evolution of AIFM services

Just as technology evolves, so too must AIFM services. Among the enhancements we expect to come are:

- Enhanced workflow automation: Streamlined data exchange and

reporting, reducing friction and improving user experience.

- Client access to risk dashboards: Plans are underway to provide clients with direct online access to risk analytics, empowering them with greater transparency and control.

- Advanced AI data extraction capabilities: use of LLMs will hasten the extraction and controls to further improve data validation mechanisms.

- Information security and compliance upgrades: DORA's regulatory requirements mean continuous investment in the application which in turn strengthens the AIFM infrastructure.

The alternative investment industry faces more complexity and compliance requirements as investment opportunities open up to a wider pool of investors, investor expectations become more granular, and market volatility becomes the norm. Harnessing technology to better manage these risks and reporting requirements is essential to remain competitive. The partnership between Aztec Group and Quantyx is a prime example of how technological agility and human expertise come together to innovate and lead change.

Technology is reshaping the AIFM risk management landscape, offering the tools needed to enhance accuracy, efficiency, and strategic value. By embracing purpose-built platforms and fostering collaborative partnerships with technology providers and expert teams, AIFMs can meet the challenges of today's regulatory environment and unlock new opportunities for growth and differentiation. ●



By **Veronica Aroutiunian**,
Partner at Debevoise & Plimpton

2026's Most Desired Asset: Time

In private capital, time has always been constrained. Fund terms end. Investment periods close. Assets must be exited. Closed ended fund structures impose a discipline that has aligned reasonably with investor expectations.

That alignment is now under pressure. The fixed timelines of traditional fund structures are increasingly at odds with investment reality. Investors are seeking smoother deployment, longer duration exposure and more predictable portfolio construction. And so time itself has emerged as one of the most valuable assets a manager can offer.

Evergreen funds are the clearest manifestation of this shift. No longer a niche product or a retail adjacent concept, evergreen vehicles are becoming a strategic pillar for managers across private assets strategies. Their appeal lies in their ability to reconcile long-term capital with long-term assets.

Yet evergreen funds are not simply closed ended funds without an end date. They represent a fundamentally different way of organising capital, liquidity and governance. Removing the termination date does not eliminate constraints. It redistributes them.

Why Time Has Become Strategic

Several structural changes have converged to make time a central concern. Assets are being held longer, often intentionally. Operational value creation, platform strategies and regulated asset classes such as Infrastructure or Private Credit require extended hold-

ing periods. Forced exits increasingly destroy value rather than realise it. Exit markets have also become less predictable. Public markets open and close quickly. Strategic buyers are more selective. Sponsor to sponsor exits are increasingly supplemented by continuation vehicles and structured liquidity solutions. The idea that every asset will be exited cleanly within a fixed window is no longer realistic.

On the investor side, capital is increasingly permanent. Institutional and private wealth investors want steady deployment, long duration cash flows and reduced reinvestment risk. The constant cycle of fundraising, draw-downs and distributions creates friction that evergreen funds seek to reduce.

Evergreen structures respond to these realities, allowing capital and assets to coexist for as long as the strategy requires. They transform time from a constraint into a managed variable.

What Evergreen Funds Actually Change

The defining feature of an evergreen fund is not perpetual existence but continuous capital formation. Subscriptions and redemptions occur periodically, valuation is ongoing and the fund is designed to evolve rather than terminate. This shift has important implications for managers.

First, capital deployment becomes smoother. Instead of racing to invest within a fixed investment period, managers can deploy according to opportunity. This reduces pressure to

compromise on pricing or strategy simply to put capital to work.

Second, portfolio construction becomes more intentional. Assets can be added and exited without regard to vintage exposure, allowing the fund to maintain a desired risk and return profile over time.

Third, investor relationships change. Rather than committing to a single fund with a defined end point, investors engage in an ongoing partnership, encouraging greater transparency, consistency and trust.

These benefits are not automatic. Evergreen funds can expose managers to new types of risk if not designed carefully.

Liquidity Is the Central Question

Liquidity is the most misunderstood element of evergreen funds. While they often offer periodic liquidity, they are not liquid products. They invest in assets whose value and realisability fluctuate over time. The challenge for managers is to align liquidity promises with asset reality.

Evergreen funds can address this through different tools. Redemption windows are periodic rather than continuous. Redemptions are subject to caps or gates. Notice periods are extended. In some cases, redemptions can be satisfied in kind or deferred when market conditions deteriorate. These mechanisms are not weaknesses.

They are essential safeguards. Risk arises when liquidity expectations are not clearly framed or when redemption terms are perceived as guaranteed rather than conditional.

Managers must be clear about what liquidity means in practice. Liquidity is an option, not an entitlement. Preserving the integrity of the portfolio and the interests of remaining investors take precedence over short-term redemption demands.

Valuation Moves to the Forefront

In closed ended funds, valuation is primarily a reporting exercise. In evergreen funds, valuation is the economic backbone of the structure.

Net asset value determines subscription pricing, redemption pricing, fee calculations and performance metrics. It affects fairness between incoming and outgoing investors and underpins confidence in the fund.

This elevates the importance of valuation governance. Managers must ensure valuation methodologies are consistent, well documented and appropriate for the underlying assets. Independent valuation input has expanded, particularly where liquidity events are frequent.

More importantly, valuation must be understood as a process rather than a number. Markets move. Assumptions change. The credibility of an evergreen fund depends on the robustness of its valuation framework, and its judgment when uncertainty increases.

Investors are acutely aware of this. They increasingly scrutinize valuation policies.

Governance Without a Natural End

One of the less discussed implications of evergreen funds is the absence of a natural forcing function. Closed ended funds end. Evergreen funds continue. This makes governance more important, not less.

GPs increasingly respond by formalising periodic strategy and risk-appetite reviews, including explicit limits around concentration, leverage and liquidity buffers and operate structured valuation and liquidity oversight (valuation committees, LMT playbooks, stress-testing, anti-dilution tools). Some consider hard-wiring key-person,

succession and GP removal mechanics to recreate closed-end style accountability. It is key that governance bodies are given clear information rights and escalation routes, ensuring that conflicts in continuous fundraising, reinvestment and cross-fund allocations are addressed transparently and documented over the fund's life. Periodic, and often gated, exit rights provide some market discipline but cannot be the only safeguard.

One Size Does Not Fit All

Not every strategy is suited to a pure evergreen model. This has led to the rapid development of hybrid structures that borrow elements from both closed-ended and open-ended funds. Examples include long lock-up periods followed by limited tenders, run-off models and rolling vintage funds.

These structures recognise that different assets behave differently. The key is intentionality. Evergreen structures work best when built around the assets, not when assets are forced into a fashionable format.

Operational Readiness Matters

Evergreen funds place higher demands on operational infrastructure. Continuous subscriptions and redemptions require robust systems for investor onboarding, capital accounting, valuation and reporting. Communication must be frequent and consistent.

For managers accustomed to closed-ended fundraising cycles, this represents a cultural shift. The fund is always live. Performance is always visible. Investor engagement is ongoing. Those who invest in operational readiness early tend to find that evergreen funds deepen investor relationships. Those who underestimate the opera-

tional burden often struggle to deliver on the promise of the structure.

A Strategic Tool, Not a Shortcut

It is tempting to view evergreen funds as a solution to challenging fundraising conditions or delayed exits. That is a mistake.

Evergreen structures amplify both strengths and weaknesses. They reward managers with clear strategies, disciplined execution and transparent communication. They expose those who rely on momentum or market timing.

Evergreen funds are often best deployed as part of a broader platform strategy rather than as a replacement for closed-ended funds. They can provide permanent capital alongside traditional vehicles, offer continuity between vintages and support long duration assets that do not fit neatly into ten-year cycles.

Used thoughtfully, they enhance resilience. Used opportunistically, they create long-term complexity.

Structuring Time, Not Escaping It

In short, evergreen funds offer a way to harness time rather than fight it. They allow assets to mature, strategies to compound and investor relationships to deepen.

But time is unforgiving. Structures that lack clarity, discipline or alignment become more fragile the longer they exist.

Evergreen funds succeed not because they remove constraints, but because they replace rigid timelines with deliberate design choices. When built with care, they allow managers to focus on what ultimately matters most: investing well, over the right horizon, with the right partners. ●

“Evergreen funds succeed not because they remove constraints, but because they replace rigid timelines with deliberate design choices.”

Veronica Aroutiunian



By **Yann Fihey**,
Partner at Arendt Regulatory
& Consulting

From Managed Services to Shared Platforms: Reclaiming Control of Data in Fund Industry Back-Office Operations

In recent years, the fund industry has witnessed a significant transformation in how back-office functions are delivered. Cost pressures, talent shortages, and the exponential rise of artificial intelligence (AI) and advanced data tools have driven fund managers to adopt managed services as a strategic means to improve operational efficiency, scale capacity, and accelerate digital transformation. However, this shift has not come without trade-offs. Particularly, the delegation of critical back-office processes to external parties has increasingly entailed a **delegation of data ownership, control, and operational sovereignty** which may raise long-term strategic concerns for fund managers.

The Golden Age of Managed Services

Managed services have traditionally involved outsourcing specific operational functions to third-party experts under service level agreements (SLAs). Initially, the focus was on cost savings, access to specialist expertise, and scalability. The arrival of AI (particularly machine learning, generative AI, and automation) has transformed managed services into a strategic toolbox, with providers using technologies like robotic process automation (RPA), predictive analytics, and cloud-native platforms to optimise processes such as reconciliations, reporting, and compli-

ance. Automation and AI integration have made these services essential for driving efficiency and reducing manual effort. Industry research highlights the growing reliance on AI and automation within managed services, with providers embedding these technologies to resolve issues pre-emptively and scale operations. European tech-services markets, for example, have seen record growth in managed service contracts, especially those leveraging AI and cloud solutions¹. Financial services providers now offer comprehensive support, including intelligent data ingestion, AI-enhanced analytics, compliance automation, and strategic digital transformation advice. Advanced capabilities such as autonomous finance workflows and anomaly detection with agentic AI are increasingly common², offloading significant operational burden from internal teams. Despite these benefits, managed services often limit the visibility and decision-making power of fund managers. Regulatory frameworks like DORA and GDPR mandate transparency in data management, yet operational processes and technological configurations remain largely opaque, restricting client oversight and influence.

Delegation of Data Ownership: The Hidden Cost

AI-driven managed services promise operational improvements (higher

throughput, cost predictability, and access to expertise) but they also introduce structural challenges, notably **the delegation of data ownership and control**. Service providers typically ingest, process, and store client data within their own systems. Even when fund managers retain nominal ownership, practical access and usability are often constrained by the provider's technology stack, data models, and access policies. As AI systems operate on data housed in provider-controlled environments, managers may depend on vendor interfaces to access or extract their own data, limiting their ability to oversee data quality or repatriate information.

This dependence brings several risks:

- **Loss of direct control over data schemas and metadata:** Providers manage the data environment, potentially reducing fund managers' influence over structuring and tagging (crucial for analytics and compliance).
- **Complexity in data repatriation:** Bringing data back in-house or switching providers often demands custom interfaces and significant engineering effort, making the process costly and risky.
- **Vendor lock-in:** Providers optimise for scale and standardisation, which may not support bespoke requirements, leaving clients reliant on the provider's roadmap.

- **Sovereignty and compliance concerns:** Data residency, privacy, and regulatory compliance can become complicated depending on where and how providers host and process data.

Once mature, data-driven AI workflows are externalised through managed services, re-insourcing becomes difficult due to dependencies on provider platforms and a lack of standardised, interoperable data access. This is especially challenging in back-office functions where operational data underpins analytics, reporting, risk assessment, and strategic decisions.

Standardisation and the Limits of Current Managed Models

Managed services favour standardisation and scale, with solutions tailored to fit the widest range of clients, rather than supporting bespoke workflows. As AI systems become integral, automation workflows are increasingly built for provider-specific data structures and processing pipelines. While efficient for volume and cost, this approach limits flexibility for unique client needs. Fund managers in diverse sectors require tailored insights, access to both raw and enriched datasets for internal analytics, and integration with proprietary systems. Traditional managed services often necessitate extra engineering or ad hoc data extracts to deliver these capabilities, at additional cost and time. The result is managed delivery that sacrifices flexible access and control, a growing concern for asset managers seeking deeper analytics and operational autonomy.

Shared Platforms as an Alternative Model

The limitations of managed services have sparked interest in shared platforms, which aim to balance operational flexibility with external execution capacity. The Arendt platform was created with this goal at its core, enabling fund managers to retain control and visibility over their data **while leveraging external support**. Unlike managed services, shared platforms **provide collaborative environments where both fund managers and service providers operate on the same data and interface layer**. Data and

“In a sector where data is not just an operational artifact but a strategic asset, maintaining sovereignty while harnessing external capabilities will define the next era of back-office excellence.”

Yann Fihey

workflows are not fully externalised but accessed jointly, ensuring real-time visibility and control. Key features include:

- **Common data access layer:** Both client and provider interact with operational data via APIs or shared interfaces, preserving real-time access for fund managers.
- **Role-based access and governance:** Fine-grained access controls, audit logs, and permissions distinguish responsibilities and protect sensitive information.
- **Interoperable workflows:** Processes can be executed by either party without siloing or transforming data into isolated environments.
- **Flexible execution:** Fund managers can choose which operational tasks to run internally or delegate to providers, all within the same interface and data constructs.

This model resembles a shared document repository, such as SharePoint, where both parties can view, edit, and track changes collaboratively, rather than exchanging files between disparate systems. In the fund industry, shared platforms address key shortcomings of managed services:

- **Data sovereignty:** Immediate ownership and access to operational data, without restrictive provider-controlled processes.
- **Reduced reintegration costs:** Shared environments make migrating operations internally or switching providers less disruptive.
- **Operational transparency:** Audit trails and permissions provide clear records of actions for compliance and risk governance.
- **Scalability with control:** Clients can scale operations with external support, while retaining strategic direction and control over data.

Technical Considerations

Transitioning to shared platforms, such as those enabled by the Arendt platform, presents challenges. Effective design requires **robust role and permission frameworks** to delineate operational boundaries and safeguard controls. **API-centric architecture** is essential, demanding investment in integration infrastructure for seamless data exchange and workflow execution. **Legal and operational agreements (SLAs)** must reflect shared responsibilities, data ownership rights, audit obligations, and dispute resolution mechanisms.

Despite these requirements, the shared service model aligns with industry trends favouring flexibility, data democratisation, and risk-aware operational agility, especially as AI and automation become central to back-office efficiency.

Conclusion

Managed services have delivered substantial operational benefits to fund managers facing cost and talent pressures, as well as digital transformation demands. However, increasing outsourcing intensity brings strategic **challenges around data ownership, control, and operational sovereignty**. The future of back-office operations in the fund industry may well lie in a *hybrid model*. Shared platforms with emphasis on collaboration, role-based governance, and interoperable data access, offer a pathway to balance operational efficiency with strategic autonomy. In a sector where **data is not just an operational artifact but a strategic asset**, maintaining sovereignty while harnessing external capabilities will define the **next era of back-office excellence**. ●

1. See <https://www.afp.com/en/infos/europes-tech-services-market-hits-new-high-q4-strong-ai-cloud-managed-services-demand-isg>
2. See <https://www.nasdaq.com/press-release/companies-take-ai-live-financial-outsourcing-2025-09-25>



By **Marco Vernia**,
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and **Luca Bruni**,
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The Challenge of Standardizing Ongoing Monitoring and KPI Collection for Distribution Network

Why is market practice still fragmented in such an important field like the **ongoing monitoring** of marketing intermediaries and the **collection of key performance indicators** (KPIs)?

The underlying framework is the regulatory obligations set out in the CSSF Circular 18/698, which has been in force since August 1998 and is expected to be modified in 2026. To date, there's still no clear visibility about when the "new Circular" will be published and, most importantly, the new provisions that may have an impact on the way ongoing monitoring and KPIs shall be performed going forward.

In recent years we have strived to help develop good market practice in this area by maintaining an open and continuous dialogue with many market practitioners – whether investment fund managers or distributors –, and by participating in various national and international initiatives aimed at filling the persisting gaps in terms of commonly agreed market practice.

To this purpose we "gave voice" to the market and its practitioners, by organising ad hoc seminars, bringing together experts from diverse fields as

panellists and stimulating constructive debate and exchange of ideas. The underlying idea was, and still is, to listen to those professionals who concretely shape the market practice, to debate together around what may constitute the best compromise to build a common ground for investment fund managers and distribution partners.

We then felt the need to promote information sharing and constructive exchanges amongst market players – both *fund producers* and *fund sellers*, hence looking at the full value-chain – so to possibly converge into a **shared approach**, with the hope to create a sort of commonly agreed **standardization** around ongoing monitoring of marketing intermediaries and the collection of key performance indicators. This objective crystallized through the organisation of two different webinars: the first one entirely dedicated to "Distributor KPIs" (May 2024) and a second one with a broader scope: "Mastering ongoing monitoring of distribution network" (October 2024).

Thanks to a *polling exercise* at the beginning of both webinars, we were able to listen to the voice of the market. This voice had a lot to tell. Valuable information and useful details were collected during the webinars and the

dilemma we faced was: how to go further and capitalise on this precious data? What would have been a meaningful and useful conclusion of a full year of efforts and discussion with the market?

The most logical choice seemed to be a white paper, so to crystallise the rich output of the initiatives described above and foster the dialogue, which shall be continuous as the market practice evolves over time and remains dynamic. The aim was **twofold**: capturing the diverse views, opinions, and insights from the panellists and the audience, and drawing from our own experiences on the market.

We believe interesting and relevant to share its key findings here to help promote a **dynamic and inclusive approach**, where the concerns of every stakeholder in the value chain are duly listened to and taken into consideration. After all, an adage goes: "*alone we go faster, but together we go further*".

But what are the key conclusions reached in the white paper?

- **Efficient Monitoring of Distribution Networks:** Efficiently monitoring a distribution network requires conducting initial due diligence, establishing a risk-based methodology,

defining clear roles and responsibilities, employing KPIs, implementing automated monitoring systems, providing continuous training, and ensuring regular compliance audits and reporting, all aligned with the company's risk appetite and strategic business plan.

- **Effective Oversight of Investment Fund Managers and Global Marketing Intermediaries:** To ensure effective oversight, focus on active monitoring of existing data, establish KPIs to track adherence to agreements, conduct regular compliance checks, and avoid mere reliance on questionnaires. Efficient data management and transparency through regular reporting and active controls are also crucial.

- **Ongoing Due Diligence of Counterparties:** Ongoing due diligence requires a flexible framework to accommodate diverse structures and services. Categorize counterparties based on activities and services, use due diligence questionnaires and KPIs, conduct site visits, respond to trigger events, and regularly review and adapt the framework.

- **Compliance and Operational Efficiency in Fund Distribution:** Ongoing monitoring in fund distribution is crucial for compliance and operational efficiency. This involves identifying and managing the negative target market, utilizing technological solutions, and adhering to best practices to protect investors and maintain market integrity.

The quest for a commonly shared and standardised process in this area is not new, and we would not dare claiming its paternity in this article. Not at all.

Looking back, there have been few interesting attempts by industry players whose aim was to first elaborate and then agree upon the development

“We're also seeing Private Markets players raising the bar, demanding additional KPIs. But we've also observed that these requests are driven by individual needs, which therefore require individual solutions.”

of **free templates**, like the Distributor Due Diligence Questionnaire (DDQ), i.e. ICI DDQ¹.

In March 2022, an **Industry-Driven KPI Working Group for Distribution Oversight**, developed a KPIs template. Although this initiative was interesting and valuable, it ultimately fell short. The proposed template proved to be far too exhaustive for efficient data collection, highlighting the importance of creating concise and manageable KPIs to ensure effective monitoring and reporting.

Then, in December 2022, the **Findel Group**² proposed a common approach to KPIs, recommending only 3: Number of Complaints, Number of Marketing incidents, and Number of Target Markets Exceptions. However, during our numerous individual discussions occurred with Asset Managers, we noticed that 3 KPIs only were considered as not being enough for their ongoing monitoring purposes.

In addition to the above, it is to be said that other solutions are also provided by privately-owned providers, but as this article is not intended to promote any specific providers, there won't be any specific mention of them or the solutions they offer.

Now, looking at what we did on our side, we engaged in months of intense discussions and exchanges with a big4 company, industry working groups, and numerous Asset Managers & Management Companies at both international and national levels. Following these rigorous deliberations,

the decision was made to implement five significant KPIs: **reported suspicious transactions, deviations from positive target markets, investor complaints, marketing incidents and distribution in prohibited countries**, to be collected on a quarterly basis.

Looking forward, there will probably new attempts to foster standardisation and efficiency in the field of ongoing monitoring of Distribution Network and KPIs collection. Among Distributors, we still observe a perduring limited awareness about the importance for Asset Managers and Management Companies in Luxembourg to obtain regular KPIs from their Distribution Network, thus, highlighting the need for an increased educational effort so to improve their awareness, even though we also observe an improvement compared to the period 2023-2024. It is an exercise of endurance.

We're also seeing Private Markets players raising the bar, demanding additional KPIs. But we've also observed that these requests are driven by individual needs, which therefore require individual solutions. We understand that the effort toward a shared approach among private market players could prove to be a game changer for the industry, with undeniable benefits for everyone.

The time to embark on a new project has arrived. ●

1. <https://www.ici.org/system/files/2023-09/23-due-diligence-questionnaire.pdf>
2. https://findelgroup.com/wp-content/uploads/2023/07/FINDEL-Distribution-Advisory-Group-Ongoing-Monitoring_KPIs-FINAL.pdf



By **Pierre Reuter**,
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Luxembourg's Investment Framework for Energy and Defence

In an era marked by geopolitical instability around the world and in light of the current economic landscape, energy security concerns, and increased defence needs and spending, the financing of energy and defence projects has become a critical priority for governments and private stakeholders.

Traditional sources of funding, such as public financing and bank loans, have proven to be no longer sufficient and are constrained due to fiscal pressures, regulatory hurdles, and risk aversion in the banking sector.

Against this backdrop, Luxembourg investment funds have emerged as efficient financing solutions, being highly attractive vehicles for financing energy and defence and other sectoral projects, offering a broad range of legal, financial, and operational advantages. Indeed, Luxembourg remains one of the World's leading financial centres and a global hub for investment funds. The country is the largest fund domicile in the European Union and it offers a wide range of fund structures, from unregulated funds in various alternative sectors to supervised and regulated investments funds investing in listed assets.

Why Luxembourg?

Access to private capital: While public budgets are stretched and banks are reluctant to finance high-risk projects,

private capital has become an indispensable source of funding. Therefore, Luxembourg funds offer the ability to pool private capital from professional investors either institutional, high-net-worth individuals or family offices. Over 90% of the top 30 global credit fund managers are already present in Luxembourg. Luxembourg funds also provide investors with confidence and compliance with EU standards. The AuM in Luxembourg private credit funds reached a record of over €510bn in 2024, reflecting a substantial increase from previous years (a 21,5% growth compared to 2023).

Flexibility: Luxembourg investment funds structures are highly flexible and can be tailored to meet the specific

needs of energy and defence projects, whether they involve infrastructure development, renewable energy initiatives, or advanced defence technologies. Luxembourg has become a preferred domicile for so-called energy transition funds e.g., focusing on wind farms, solar parks, and hydrogen infrastructure, through equity, debt, or hybrid instruments. Luxembourg funds can also be used to support more traditional energy projects, such as natural gas pipelines, which are critical resources for energy security in Europe.

Investment funds are also increasingly recognised as effective vehicles for financing ambitious space projects, including satellite development, space exploration technologies, and the

establishment of critical space infrastructure and Luxembourg stands as a preferred jurisdiction for such types of initiative, thanks to its local agency and regulatory framework on the exploration and use of space resources.

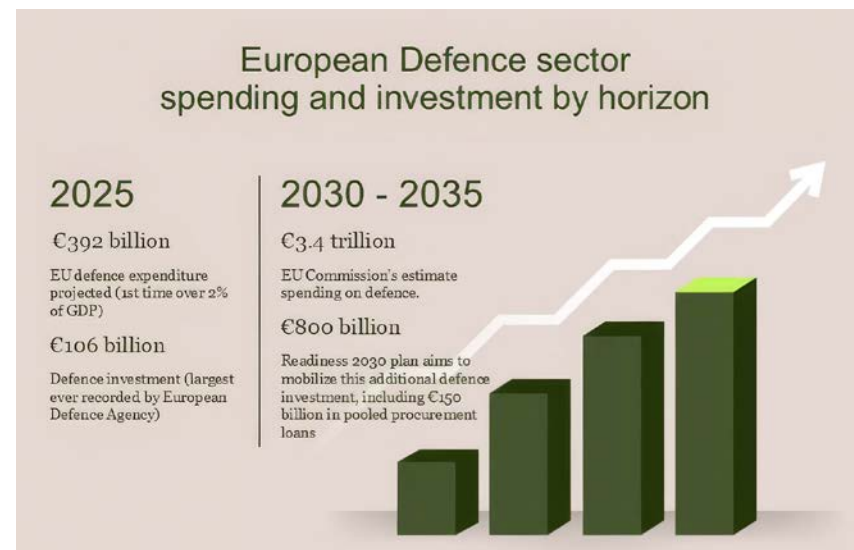
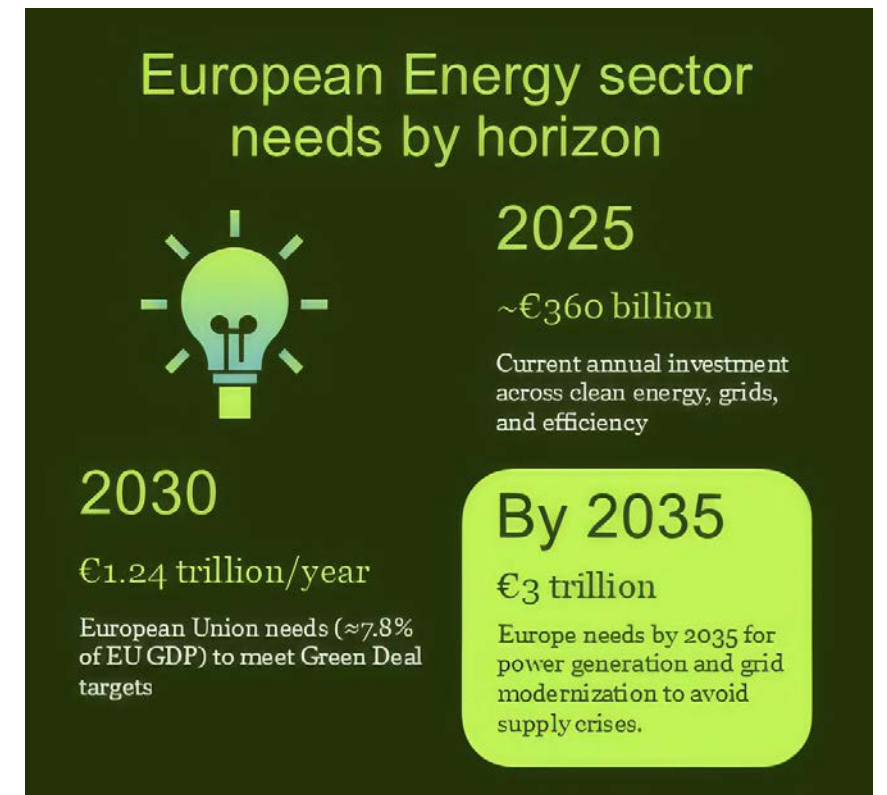
Similarly in the defence sector, investment funds can be structured to finance research and development (R&D) in cutting-edge defence technologies, cybersecurity initiatives and platforms, and the production of advanced military equipment. Thanks to its expertise in the space sector and its commitment to technological innovation, Luxembourg has successfully positioned its space capabilities as a major asset for strengthening security and defence, an initiative which will continue to evolve with the EU Space Act. For example, satellites, which are essential for secure communications, surveillance, and intelligence, illustrate this synergy between space and defence.

Closed-ended vehicles with long-term investment horizons are particularly suitable for defence projects.

Tax framework: Luxembourg is also known for its tax-efficient environment offering tax neutrality for most fund vehicles. Moreover, thanks to the extensive network of double taxation treaties that Luxembourg has adhered to, cross-border investments in energy and defence projects all over the World are facilitated.

Stability and regulatory standing: The Luxembourg supervisory authority is renowned for its pragmatism. Obviously, Luxembourg adheres to EU Directives, but has further built upon these legal frameworks by implementing its own local regulations. Fund managers also have access to the EU marketing passport and Luxembourg-based funds comply with European standards which provide for governance and investor protection safeguards. These robust foundations are highly valued by fund sponsors, particularly in the energy and defence sectors which require a stable and investor-friendly framework.

“ Luxembourg investment funds have demonstrated their capacity to attract private capital, offer flexible investment structures, and operate within a stable and transparent regulatory framework, making them a perfect tool for meeting Europe's energy and defence needs.”





By Denis Harty,
Country Head Continental
Europe, Waystone

Making Integrations Work in Luxembourg

In 2025, Waystone announced an agreement to acquire BIL Manage Invest (“BMI”) from BIL. Following this process, it is a useful moment to reflect on the practical realities of integrating a Luxembourg management company and what we have learned so far.

The acquisition involved more than a rebranding exercise. BMI now operates as Waystone Fund Management (Lux) SA (“WFM”) and will continue to do so until the planned merger with Waystone Management Company (Lux) SA (“WMC”) in 2026. From the outset, the priorities were clear: maintain continuity for clients, create stability and opportunity for staff, and align governance and operating practices within Luxembourg’s management company framework.

The change-of-control process progressed efficiently, supported by constructive engagement with the CSSF. That engagement focused on practical outcomes rather than form alone, which helped keep the transition on track.

The context

Third-party management companies have shifted in recent years. They are no longer viewed solely as providers of regulatory capacity, but as ongoing partners expected to deliver consistency across products, jurisdictions and regulatory regimes. At the same time, supervisory expectations continue to increase, and digital oversight

tools are becoming more established. In that environment, integration is not only an internal exercise. It directly affects how governance is applied, how information flows, and how accountability is demonstrated to clients and regulators.

BMI’s background within Luxembourg’s banking sector, and its experience across UCITS and AIFM structures, provided a solid base. The focus of the integration has been on retaining the expertise and relationships that clients rely on, while aligning processes and controls with a broader operating platform.

The model in practice

Our model is a shorthand for a single operating approach rather than a slogan. In practical terms, it has meant focusing on a small number of principles:

1. Continuity for clients

The first priority has been service stability. Relationship coverage and institutional knowledge have been maintained, with changes introduced gradually and around existing client arrangements rather than through them.

2. Embedded governance

Governance frameworks, policies and escalation paths are being aligned across locations. This is intended to ensure that decision-making and oversight are consistent and clearly evidenced, regardless of where activities are performed.

3. Shared technology foundations

A common set of systems is being rolled out to support data, workflows, document management and client interactions. Priority has been given to processes that tend to generate friction, such as onboarding, due diligence, marketing reviews and periodic monitoring.

4. People and organisation

Integration has required clarity on roles, responsibilities and decision rights. Structured onboarding, learning and mobility opportunities have been important for teams joining a larger organisation, alongside clear communication about how ways of working are evolving.

How the integration has been structured

The work has followed a phased approach:

● Stabilise and listen

Early efforts focused on avoiding disruption, confirming client coverage, and identifying which elements of existing practice needed to be preserved or improved. Communication with clients and staff was prioritised.

● Align governance and controls

Policies across risk, compliance, valuation, liquidity and delegation oversight have been reviewed and harmonised. Board and committee structures have been confirmed, and a common management information framework established.

● Connect systems and processes

Core systems supporting onboarding,

KYC/AML, marketing approvals and monitoring are being consolidated, with an emphasis on auditability and evidence as well as efficiency.

● Optimise and extend

Once a consistent baseline is in place, attention can shift to service refinement and, where appropriate, additional support for clients.

Why integration matters

It is possible to achieve scale by grouping firms under a common name while leaving operating models largely unchanged. That approach can be quick, but it often results in fragmented governance, duplicated processes and inconsistent client experience.

A more integrated model requires shared data, shared controls and shared ways of working. For clients, this reduces complexity. For boards and regulators, it supports clearer oversight. For staff, it creates a more coherent environment in which to operate. Over time, it also affects efficiency and the ability to invest in systems and skills.

Assessment

The value of integration ultimately depends on outcomes rather than structure. We look at three areas:

1. Client experience

The primary measure is the absence of disruption. Over time, clients should see a clearer and more consistent engagement model, without having to navigate different legacy approaches.

2. People experience

Retention, engagement and cross-team collaboration are key indicators. Integration works better when staff feel involved in shaping new ways of working rather than having them imposed.

3. Governance and performance

Boards and conducting officers should receive comparable information across entities and jurisdictions. Supervisory discussions should be supported by consistent and well-documented evidence.

The role of the CSSF

In this process, regulatory engagement was a facilitating factor rather than an obstacle. The CSSF’s focus on continuity, accountability and demonstrable governance helped shape the integration in a practical way. That approach supports Luxembourg’s role as a leading fund domicile while maintaining supervisory standards.

Looking ahead

Integration does not end with legal mergers or system migrations. Work will continue on refining client processes, improving data and management information, and preparing for regulatory change. The aim is steady improvement rather than transformation for its own sake.

If clients experience a single, coherent service, and if colleagues feel better supported and clearer about how they operate, then the integration will have achieved its purpose. That, in practical terms, is what “One Waystone” is intended to represent. ●

“ True integration compels common governance, common data and common experience.”

Denis Harty



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By **Isabelle Delas**,
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Viola Strotz,
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Ensuring Integrity in Private Equity's Role in the Energy Transition

Private Equity is positioned to play a decisive role in financing Europe's energy transition, deploying capital into sectors that are capital-intensive, technologically complex, and strategically essential for decarbonisation. Yet as investment strategies advance into areas such as clean hydrogen, electrification, and industrial transformation, one factor becomes increasingly critical: trust. Ensuring that climate-aligned Private Equity strategies are grounded in credible processes is a prerequisite for scaling sustainable investment at the pace required. Investors need clarity, independent verification, and confidence that commitments translate into real-world impact.

The rising importance of credibility in climate-focused Private Equity

The energy transition requires large-scale, long-term investment in technologies and infrastructure where risks, regulatory dependencies, and data limitations are significant. Private Equity is well-positioned to drive this transformation, but investors increasingly expect assurance that a fund's sustainability claims are grounded in rigorous processes rather than aspirational language.

Assessing integrity in Private Equity strategies is inherently challenging. Unlike listed markets, information is not public, methodologies differ widely, and climate-relevant metrics frequently evolve alongside technological progress. Against this backdrop, independent verification frameworks play a critical role in reducing information asymmetry and supporting informed investment decisions. They help investors understand not only

the strategy of a Private Equity fund, but also, for example, the strength of its governance, risk management, and impact measurement practices.

How independent labelling supports investor assurance

In this evolving landscape, independent labelling has emerged as an essential mechanism for strengthening market integrity. Labels designed for sustainable finance contribute by assessing whether a fund applies sustainability, climate and social principles in a consistent, transparent, and verifiable manner.

Such labelling frameworks typically examine:

- Integration of ESG factors throughout the investment cycle, ensuring that material environmental and social considerations are systematically evaluated.
- Climate alignment, including whether investments demonstrably

contribute to mitigation or adaptation objectives.

- Impact measurement and monitoring, verifying that managers use clear methodologies, aligned indicators, and regular reporting practices.
- Governance structures that support accountability and continuous improvement.

For Private Equity, where investment horizons are quite long and strategies highly diversified, the value of this independent scrutiny lies in its ability to transform qualitative claims into verifiable evidence. It encourages managers, and especially new asset managers entering this sector, to articulate clearly their sustainability approach, document their processes, and engage more transparently with investors and stakeholders.

At the same time, labelling supports a more stable market environment. By promoting clarity and comparability,

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it helps reduce the risk of overstated sustainability assertions - an area of increasing regulatory and fiduciary concern. The result is a level of assurance that benefits both investors seeking trustworthy products and fund managers seeking to demonstrate the robustness of their approach.

Private Equity as a catalyst for emerging climate solutions

The rapid expansion of climate-critical sectors - including clean hydrogen, large-scale energy storage, e-mobility, renewable infrastructure optimisation, and circular industrial systems — exemplifies the need for investor trust in innovative sustainability strategies.

“As sustainable investment strategies grow more sophisticated, clear evidence, transparent methodologies and independent scrutiny become essential for maintaining investor confidence.”

These areas often require significant upfront capital, deep sectoral expertise, and cross-border deployment. Private Equity therefore plays a central role in accelerating industrial solutions capable of contributing to climate mitigation and adaptation at scale.

Clean hydrogen, in particular, demonstrates how private capital can unlock new value chains that support the

decarbonisation of heavy industry and transport. Funds operating in this space bridge the gap between early-stage technologies and industrial deployment, creating the foundations of a future hydrogen economy. Ensuring that investors have strong visibility and assurance over how their capital supports this critical transition is essential for continued growth and long-term sector confidence. ●

Hy24: Turning Ambition into Action in the Hydrogen Economy

At Hy24, we believe Private Equity can be a decisive force in transforming emerging clean technologies and energies into industrial-scale solutions. As the world's largest investment manager focused on clean hydrogen and its derivatives, Hy24 has been translating ambitious decarbonization goals into tangible outcomes since its inception in 2021. By combining Ardian's proven investment expertise with FiveT Hydrogen's deep sector knowledge, we accelerate projects that are both technically intricate and strategically essential for Europe's energy transition and industrial sovereignty.

Our Clean Hydrogen Infrastructure Fund has already committed capital to nine project developers spanning Europe, North America, Asia-Pacific, and the Middle East. Notable initiatives include Stegra's green steel plant in Sweden, Enagás Renovables' advanced renewable hydrogen portfolio in Spain, and HyssetCo's clean hydrogen mobility-as-a-service fleet in Paris. These projects address both upstream low-carbon and renewable hydrogen production and downstream applications, including

green ammonia, e-methanol, e-fuels, and other derivatives that support decarbonization across aviation, heavy industry, and chemical sectors. By fostering these integrated value chains, we help bridge the gap between innovative technologies and deployable, scalable solutions. Nearly 80% of deployed capital is allocated to projects that have been decided (post-FID), are under construction, or already operational, with close to half of the fund's €2 billion committed -demonstrating growing investor confidence in concrete and scalable hydrogen projects. Every investment undergoes assessment for financial performance, climate alignment, sustainability, scalability, and risk management. Our adherence to SFDR Article 9 standards ensures that sustainability pledges are backed by measurable impact KPIs, providing investors with assurance that their capital directly supports the energy transition and decarbonization objectives aligned with the Paris Agreement.

Hy24's approach extends beyond infrastructure, encompassing manufacturers of critical hydrogen

equipment, such as electrolyzers and ammonia crackers. This dual focus on immediate deployment and long-term innovation strengthens Europe's technological leadership while securing the industrial ecosystem necessary for a resilient hydrogen economy. Through strategic partnerships with corporates, institutions, and policy stakeholders, we foster ecosystems that reinforce execution, transparency, and credibility - key factors in building investor trust in climate-focused Private Equity.

In the context of geopolitical and economic volatility, clean hydrogen and its derivatives are vital tools for energy independence. By enabling large-scale production of renewable hydrogen at scale, our investments support decarbonization, reduce reliance on fossil fuels, and enhance industrial competitiveness. Hy24 exemplifies how Private Equity can move beyond aspiration to deliver investable, strategically critical energy solutions that advance both financial performance and climate objectives, while laying the foundation for more resilient and sovereign energy systems.



By **Stephanie Atnas**,
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at GP Fund Solutions and co-chair of the
LPEA Fund Administration Committee



and **Jennifer Forges**,
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Administration Committee

Semi-Liquid Funds: A New Frontier for Fund Administrators – and a Call to Innovate

Over the past few years, one trend has quietly reshaped the investment landscape: the rise of semi-liquid funds.

Semi liquid funds are typically evergreen or open-ended alternative funds offering periodic redemption windows, subject to gates and notice periods, while investing predominantly in illiquid private market assets.

These vehicles are designed to bridge two worlds — offering investors access to private market opportunities with the flexibility of periodic liquidity. In doing so, they have opened the door for broader participation in alternatives, from institutional investors to qualified investors and even to quasi-retail investors seeking diversification and yield, bringing new complexity and risk for administrators, and managers.

The Promise — and Pressure — of Semi-Liquid Funds

In a market where fundraising has become more challenging, the semi-liquid funds provide an alternative route for capital raising for asset managers. Moreover, the rise of semi-liquid funds also means a more stable capital base, continuous fundraising rather than

episodic capital calls, and then, greater flexibility in capital deployment.

Semi-liquid funds are often described as “the best of both worlds” as they aim to deliver higher potential returns from illiquid assets while offering periodic redemption windows. They blend liquid assets that can be traded or redeemed periodically with illiquid holdings — private equity, real estate, private credit — that drive performance and offer a greater diversification for investors. But in times of market stress, if too many investors try to redeem, liquidity windows can freeze, and managers may need to impose gates or suspend withdrawals.

Yet this hybrid design introduces new operational challenges that traditional alternative fund administration models were not built to handle. These challenges oblige administrators to rethink their alternative offering, update compliance checklists, and train employees to manage this new type of fund.

At their core, these vehicles combine the daily oversight and reporting

expectations of open-ended funds with the valuation, cash flow, and governance complexity of private market. That is an entirely new paradigm for administrators.

The Challenges We are All Facing

As administrators, we sit at the intersection of product design, investor expectations, and regulatory accountability. And when it comes to semi-liquid funds, that intersection is getting busier.

Here is what we are grappling with:

- **Valuation Complexity** – Managing two different valuation cadences — frequent and liquid observable market prices for public assets, periodic and illiquid valuation model for private ones — creates timing gaps, pricing mismatches, and heightened audit scrutiny.

- **Liquidity Management** – Predicting redemption activity, maintaining cash buffers, and coordinating capital calls are now mission-critical functions. Investors expect smooth liquidity, even in turbulent markets. Liquidity stress testing and scenario modeling are now essential to anticipate redemption spikes and avoid forced asset sales during market stress.

- **Technology Gaps** – Most legacy systems were built for one world or

the other — hedge funds or private equity — not both. Integrating data across custodians, GPs, and valuation agents requires hybrid technology and automation. And administrators who fail to invest in hybrid platforms may struggle to remain competitive in the future.

- **Regulatory Pressure** – Regulatory frameworks such as U.S. interval fund rules and Europe’s ELTIF 2.0 are raising the bar for transparency, especially as these products reach retail investors. Administrators must upgrade and adhere to new regulations to ensure — and be able to prove — that liquidity controls, valuation processes, and investor reporting are robust and fully auditable. Administrators must prove that liquidity, valuation, and investor communications are robust and auditable.

- **Evolving Investor Expectations** – As semi-liquid structures reach a wider investor base, including quasi-retail investors, the standard for digital reporting, onboarding, and communication is higher than ever.

- **Investor Education** – Many investors underestimate liquidity gates and redemption limits, requiring clear communication and onboarding.

“The future of fund administration lies in bridging the gap between liquidity and innovation. Semi-liquid funds are simply the proving ground.”

- **Cost Implications** – Operational complexity, hyper personalization and technology upgrades increase administration costs, impacting margins of the administrators.

Where We Go from Here

The good news? These challenges also present enormous opportunity.

Forward-looking administrators are already adapting — not by tweaking old processes, but by rethinking their entire operating model.

- ✓ Hybrid infrastructure that supports both open- and closed-end features.
- ✓ Automated valuation pipelines and API connectivity for private market data.
- ✓ Predictive liquidity management tools powered by analytics.
- ✓ Investor experience platforms that provide transparency and control.
- ✓ RegTech integration to streamline compliance and reduce reporting burdens.

As administrators we see semi-liquid funds as more than a product innovation — they are a catalyst for industry

evolution. They challenge us to elevate data quality, modernize systems, streamline the process, and deliver deeper insight to managers and investors alike.

The Bigger Picture

Semi-liquid funds are here to stay. They reflect a structural shift in how investors want to engage with private markets — more access, more flexibility, more transparency, more liquidity. For fund administrators, this is a defining moment. Those who adapt will not just keep pace; they will become indispensable partners to asset managers shaping the next generation of investment products.

Because in the end, the rise of semi-liquid funds is not just about liquidity — it is about agility. And agility is exactly what will separate tomorrow’s leading administrators from yesterdays.

Final Thought:

The future of fund administration lies in bridging the gap between liquidity and innovation. Semi-liquid funds are simply the proving ground. ●



By **Claude Crauser**,
Managing Director at
United and co-chair
of the LPEA Fund
Administration Committee



Stephanie Atnas,
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and **Andrea Manoli**,
Associate Director at
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of the LPEA Fund
Administration Committee

Launch of new Due Diligence Questionnaire Template for Luxembourg Central Administrators

The growing need for standardized Due Diligence

In today's rapidly evolving financial landscape, ensuring the trustworthiness and integrity of Central Administrators is more critical than ever. Central Administrators serve as key players in facilitating seamless connections between asset managers, their clients and financial institutions. Their actions can significantly influence both operational stability and market reputation. Regular, structured evaluation is therefore vital.

To address this need, LPEA is proud to introduce a new, comprehensive due diligence questionnaire tailored specifically for Luxembourg Central Administrators.

This tool serves as an essential resource for financial sector professionals – including banks, depositaries, auditors, and asset managers – enabling thorough assessments of Central Administrators' compliance, financial stability, and risk management practices. Its primary objective is to mitigate risks, reduce unnecessary costs, and allow Central Administrators to focus on their core activity: servicing Clients.

The development of a standardized

DDQ is not driven by a regulatory requirement, but rather by the need to streamline processes for all stakeholders involved.

Understanding the role of Central Administrators in Financial Services

Central Administrators play an indispensable role across the financial sector. They facilitate a variety of tasks such as overseeing transactions, providing fund accounting and transfer agency services, offering financial reporting, ensuring anti-money laundering and counter-financing terrorism (AML-CFT) compliance, and managing payments.

With such key functions come significant responsibilities. Central Administrators often handle sensitive financial data, execute high-value transactions, and implement complex investment strategies. This exposure creates potential risks that can affect the reputation of their clients and, on a larger scale, the Luxembourg financial sector.

Given the importance of their role, it is essential for financial sector participants—including banks, depositaries and asset managers—to assess Central Administrators carefully. A thorough and structured due diligence process helps identify potential risks proac-

tively, strengthens operational resilience, and ensures ongoing compliance with evolving regulatory standards.

Key features of the New Due Diligence Questionnaire

This template represents a first step toward the standardisation of the due diligence process on Central Administrators, with depositary oversight needs being a key driver in the development of this first version. After more than a year of preparation and reviews, this tool will soon be ready for use by all members of the LPEA.

Here are the key components of the questionnaire:

1. Ownership, Staff, and Control Structures Understanding the ownership and control structure of a Central Administrator is critical to assessing its potential risks. This section delves into the identification of beneficial owners, senior management, and key decision-makers. It also includes questions about licences and professional affiliations.

2. Risk Management and Internal Audit Effective risk management is essential for ensuring that a Central Administrator can identify, manage, and mitigate risks. This section evaluates the organisation's internal audit systems, risk assessment processes,

and its ability to address compliance gaps. It also looks at third-party compliance practices to ensure they align with regulatory standards.

3. Fund Accounting and Transfer Agency Operations This section examines the operational processes in place to manage fund accounting and transfer agency services. It covers aspects like the preparation of net asset values (NAVs), checks before share redemption, and the tools and software used to maintain accuracy and compliance.

The LPEA's Central Administration Technical Committee will update the template annually, ensuring it remains aligned with industry practices and regulatory developments.

Implementing the Questionnaire: a collaborative effort

The questionnaire is designed to be flexible and easy to integrate into existing due diligence processes.

We warmly encourage all financial sector participants to integrate this tool into their ongoing commitment to best practices in governance, risk management, and compliance. Together, we can optimise costs, reduce regulatory risks, and foster a stronger financial market that benefits investors, asset managers, and clients alike. ●

“We warmly encourage all financial sector participants to integrate this tool into their ongoing commitment to best practices in governance, risk management, and compliance.”



Scan the QR code to access the questionnaire



By Douglass Welch,
Portfolio Management Conducting
Officer at Pemberton and LPEA Private
Debt Club co-chair



and Marie-Laure Mounguia,
Partner at EY and LPEA Private
Debt Club co-chair

Private Debt Club Refresh

Private Debt has emerged as a major, fast-growing alternative asset class closely linked to private equity (PE), often acting as the debt financing for PE-backed leveraged buyouts. Recognizing Private Debt as a strategic asset class, the LPEA came with a new design for its Debt Club, now co-chaired by Douglass Welch (Pemberton) and Marie-Laure Mounguia (EY).

GPs, along with task forces accessible to any interested members and led jointly by asset managers, industry experts, and co-chairs. The Debt Club brings members together around key industry priorities and aims to position Luxembourg as a proactive leader in the sector, consistent with the Association operational excellence ambitions for the industry.

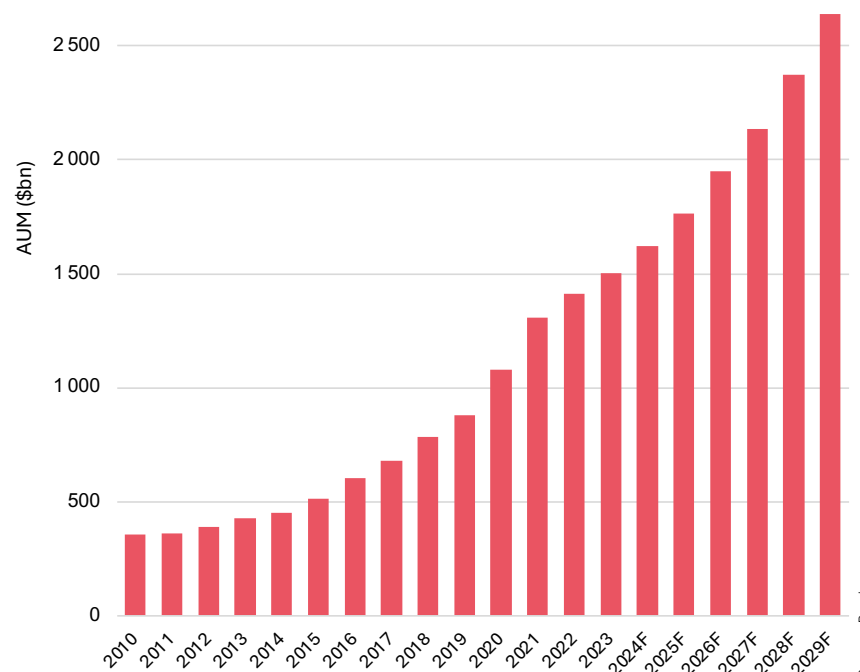
The Debt Club will notably monitor relevant international developments affecting Private Debt markets. These include system-wide stress-testing initiatives such as the UK's System-Wide Exploratory Scenario (SWES) and similar exercises underway in other jurisdictions, which aim to enhance

In order to best support the growing scale, diversity, and importance of the asset class, the LPEA Debt Club was relaunched with a new design aiming at enhancing collaboration and advocacy among asset managers. This updated format features a club exclusively for

By fostering a collaborative voice among GP members, the Debt Club will support the LPEA in promoting, defending, and educating on behalf of the Private Debt sector, strengthening its role as a trusted industry enabler.

Private credit momentum is expected to persist. Global assets under management (AUM) are forecast to surpass USD 2 trillion in 2026 and near USD 4 trillion by 2029 (source: Preqin Outlook). According to Moody's Outlooks 2026 for Private Credit, "EMEA and APAC will gain momentum. Mergers & acquisition (M&A) and leveraged buyout (LBO) activity will escalate, increasing competitive pressures among lenders but also opening more funding opportunities." Regulatory oversight stayed limited, but transparency requirements might increase in the future. Overall, regulators support private credit's expanding role in meeting capital needs in the economy where banks remain constrained, while continuing to engage with the asset class as it evolves. Preparing for upcoming challenges, the LPEA designated the Private Debt asset class as a strategic priority for 2026.

Private debt AUM, 2010-2029F



Source: Preqin

Growth drivers over decades

- 1 Pullback in traditional lending :** Regulatory pressure and a lower risk appetite among traditional banks have reduced the volume and flexibility of BSL issuance, creating a funding gap increasingly filled by private credit, particularly in the middle market and complex deal structures.
- 2 Demand for flexible structures:** Unlike the BSL market, private credit offers greater certainty of execution, faster closing, and more structural flexibility (e.g., PIKs, longer tenors, restructuring options incl. convertible debt).
- 3 Competitive pricing :** Customization offered by direct lenders can lower yields for high-quality sponsors and lessees, driving tightening credit spreads.
- 4 Maturation of secondary markets:** The absence of broadly marketed syndication processes allows sponsors to close transactions quickly – a critical advantage in volatile credit markets and competitive deal environments.
- 5 Retailization:** Regulatory reform, digital platforms, and innovation in fund structures are democratizing private markets, enabling sponsors to access a broader pool of investors and unlock new sources of capital.
- 6 Banks partnering with private credit funds:** As funders (NAV/subscription lines) or via originate-to-distribute partnerships, these JVs expand investor bases, broaden origination networks, and create incremental deal flow.

understanding of market resilience and cross-sectoral interconnections. While these initiatives reflect a broader evolution in supervisory approaches to private markets, the Debt Club will also focus on facilitating dialogue, sharing insights, and supporting members in anticipating and understanding such developments, as part of its broader mandate to promote and represent the Private Debt ecosystem.

Another area where the Debt Club is likely to focus is in response to the industry outreach by the Non-Bank Financial Intermediation (NBF1), Macro Prudential Policy Unit of the European Commission (EC). They are responding to well-publicized concerns about credit underwriting standards, due diligence and hidden pools of leverage. Our GP members will be encouraged to enunciate a collective view and best practices through the Debt Club to empower the LPEA to advocate on behalf of the Private Debt sector.

One of the LPEA's objectives is to recognize and reflect the diversity of Private Debt strategies — from venture debt or SME lending to real asset

financing — ensuring that each is clearly understood and appropriately represented. As the European Commission advances its ambition to build a more effective capital markets and investments union, these complementary debt strategies are expected to play an increasingly important role in supporting businesses, infrastructure, and the real economy. In this evolving landscape, fostering a shared understanding of how different forms of Private Debt operate can help support the timely and effective development of the market. As Europe addresses broader strategic priorities — including defense, digital autonomy and economic modernization — Private Debt is well positioned to contribute responsible, long-term financing solutions. Achieving this will require continued dialogue and cooperation among policymakers, market participants and other stakeholders.

By combining collaborative task forces with targeted regulatory engagement and forward-looking initiatives, the redesigned LPEA Debt Club is set to reinforce Luxembourg's leadership in Private Debt and contribute meaningfully to Europe's long term growth. ●

“In order to best support the growing scale, diversity, and importance of the asset class, the LPEA Debt Club was relaunched with a new design aiming at enhancing collaboration and advocacy among asset managers.”

EVENT COVERAGE

LPEA New Year's Party



↑ Mickael Tabart (KPMG) and Helene Noublanche (Coller Capital)



↑ Stephane Pesch welcome speech



Luxembourg Private Equity...

... Seminar in London



↑ Stephane Pesch (LPEA), Francis Parisis (Carne Group), Georges Friden (Ambassador of the Grand Duchy of Luxembourg in London)



↑ Raphael Eber (Stonehage Fleming) and Claudia Hoffmann (Luther) on the panel *Overview of the current LP landscape and European fundraising environment*



↑ Jean-Francois Findling (Baker McKenzie) and John Lee (Macquarie) on the panel *How a global GP leverages Luxembourg fund structures.*



59

... Networking Cocktail in Cannes



↑ Romain Longrée (ALFI), Valerie Tixier (PwC), Omar Ceron-Meliani (Domos FS) and Stephane Pesch (LPEA)



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People on the Move



Ahsan Raza
Chief Financial Officer
& Chief Operating
Officer
FE fundinfo



Alex Di Santo
Group Head
of Institutional
Belasko



Anja Steilen
COO
VP Fund Solutions



Elijah Kanevskiy
Luxembourg Head
Langham Hall



Thibault Corlay
Head of Corporate
Services
Ancorius



Emmanuel Lamaud
Corporate Partner
Maples Group

Clarity :

that moves deals forward

In Luxembourg's fast-moving PE and VC market, clarity and momentum matter. So the way we work is the way our clients work: pragmatic, accessible and focused on what moves the deal forward.

We stay close to your ambitions, cut through complexity and keep decisions simple, fast and confident. Fund formation, cross-border transactions, portfolio support. **We're on it.**

More information? akd.eu or info@akd.eu

People on the Way Up



George Zairi
Director Advisory I
EU Public Institution
Grant Thornton



Lukas Eckhardt
Head
Golding Luxembourg



Maximilien Dambax
Global Head
of Real Asset
Alter Domus



Paul-Eric Lifrange
Partner
Simpson Thacher

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.

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 690 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.

Executive Committee



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President
LPEA / ICG



Hans-Jürgen Schmitz
Vice-President
Mangrove



Laurent Capolaghi
Vice-President
EY



Nick Tabone
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Advent International



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Stephane Pesch
CEO
LPEA

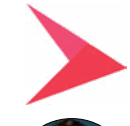
LPEA Team



Stephane Pesch
Chief Executive Officer



Luís Galveias
Chief Operating Officer



Kheira Mahmoudi
Executive Office,
Governance & Operations



Johann Herz
Head of Events
and Communications



Sonja Becker
Head of Business
Development and Project
Management



Emilie Moray
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Coordinator



Natália Vieira
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and a sharper perspective.



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