Features of the ELTIF 2.0 Regulation

An update to the 2015 European Long-Term Investment Funds (‘ELTIF’) Regulation came into force in April 2023, known as “ELTIF 2.0”. The aim of the ELTIF framework is to increase European long-term investments in the real economy. This includes infrastructure projects, real estate and listed and unlisted SMEs, which may require long-term capital investment.

Assets and Investments

- Broad scope of eligible assets, allows for flexibility and a large range of strategies
- Possibility of conducting co-investment strategies and sponsor/staff co-invests, subject to appropriate conflict procedures and disclosures
- Minimum investment of only €1m in real assets
- Ability to invest in underlying securitisations, mortgage-backed securities, residential and corporate loans and trade receivables
- Maximum capitalisation threshold of €1.5 billion for listed qualifying portfolio undertakings (‘QPU’)
- Possibility to invest non-EU QPU’s
- An ELTIF is permitted to invest in securitised assets with a ‘simple, transparent and standardised (‘STS’) label’ under Regulation (EU) 2017/2402
- Possibility of investing in new financial undertakings such as fintech companies

Borrowing limits

- 50% of AUM if marketed to retail investors
- 100% of AUM if marketed to professional investors

Diversification & Concentration Limits

- An ELTIF must invest at least 55% of its capital in eligible investment assets
- Maximum exposure of a retail ELTIF to instruments issued by or loans to any single QPU is 20% of AUM and 20% of AUM in a single real asset or fund
- 10% threshold for individual UCITS eligible assets. This can be raised to 25% where bonds are issued by an EU credit institution
- A concentration limit of 30% of the units or shares of a single ELTIF, EuVECA, EuSEF, UCITS or of an EU AIF managed by an EU AIFM. Does not apply where the ELTIF is marketed solely to professionals

Sustainability

- Ensures that EU green bonds can be included as a category of eligible investment assets

Strategy and Structure

- Master-feeder ELTIF structures are permitted
- Ability to invest in AIFs who themselves invest in eligible assets ‘on a look through basis’ to facilitate fund of funds investment strategies
- No longer required that real assets are owned directly or via indirect holding via QPU’s
- Allows for possibility of indirect investments through ‘intermediary entities, including special purpose vehicles and securitisation or aggregator vehicles or holding companies’ including through minority participants in intermediary entities
- Possibility of evergreen and semi open-ended fund vehicles. ELTIFs under the 2.0 Regulation have a limited duration but can be structured as open-ended funds under the enhanced redemption rules

Liquidity

- Potential for redemptions of up to 45% of AUM
- An optional liquidity window for matching transfer requests by existing investors or new subscriptions
- Adequate liquidity policies required

Other factors

- Requirement to provide investors with a clear understanding of the investment strategy and risks
- No need for local facilities across the EU
- Investor suitability requirements as per MiFID II
- ELTIFs managers have the ability to invest in the ELTIFs they manage

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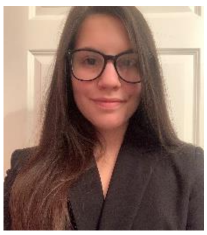

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