



The Democratization of Private Markets: Opportunities and Risks of ELTIF 2.0

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Abstract

Title: The Democratization of Private Markets: Opportunities and Risks of ELTIF 2.0

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In 2024, the European Union introduced the ELTIF 2.0 regulation to democratize private market access for retail investors (RIs) and address funding gaps in infrastructure and SMEs. This study explores the regulation's opportunities and risks through qualitative analysis of 12 semi-structured expert interviews, structured as an industry analysis complemented by a scenario forecasting approach to estimate future market growth.

Findings reveal that RIs may benefit from portfolio diversification and higher return potential but face risks related to asset redemption misconceptions, return distribution expectations, and product quality. Financial institutions (FIs) could access a scalable, pan-European retail segment but must manage reputational risks, investor education duties, and IT infrastructure demands. Regulators may strengthen domestic economies and public trust yet face challenges around fraud prevention and valuation transparency. The scenario analysis projects a market volume of €36.6–62.5 billion by 2033, depending on regulatory balance, investor literacy, and product innovation.

The study offers strategic recommendations: RIs should pursue independent investment advice; FIs must prioritize investor education and robust operational systems; regulators need to implement transparency measures and tax incentives. The research fills key literature gaps by linking ELTIF 2.0 to historical deregulation, illiquidity premiums, and financial innovation. It challenges assumptions of uniformly distributed illiquidity premiums and uncovers collaborative market behavior over expected competition. By integrating empirical and theoretical insights, the study advances understanding of retail engagement in private markets and outlines strategies to harness ELTIF 2.0's socioeconomic potential while managing systemic risks.

Keywords: ELTIF 2.0, Deregulation, Private Markets, Alternative Investments

Sumário

Título: A Democratização dos Mercados Privados: Oportunidades e riscos do ELTIF 2.0

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Em 2024, a União Europeia introduziu o regulamento ELTIF 2.0 com o objetivo de democratizar o acesso dos investidores de varejo (RIs) aos mercados privados e suprir lacunas estruturais de financiamento em infraestrutura e PMEs. Este estudo investiga as oportunidades e riscos da regulação por meio de uma análise qualitativa baseada em 12 entrevistas semiestruturadas com especialistas do setor, complementada por uma abordagem de cenários para estimar o crescimento futuro do mercado.

Os resultados indicam que os RIs podem se beneficiar de maior diversificação de portfólio e potencial de retorno elevado, mas enfrentam riscos relacionados a equívocos sobre resgates, distribuição de retornos e qualidade dos produtos. As instituições financeiras (FIs) podem explorar um segmento pan-europeu escalável, mas devem lidar com riscos reputacionais, obrigações educacionais aos investidores e exigências de infraestrutura tecnológica. Reguladores podem fortalecer economias domésticas e a confiança pública, mas enfrentam desafios como prevenção de fraudes e transparência na avaliação de ativos. A análise de cenários projeta um volume de mercado entre €36,6 e €62,5 bilhões até 2033, dependendo do equilíbrio regulatório, alfabetização financeira dos investidores e inovação de produtos.

O estudo oferece recomendações estratégicas: RIs devem buscar aconselhamento independente; FIs devem priorizar educação do investidor e sistemas operacionais robustos; reguladores precisam adotar medidas de transparência e incentivos fiscais. A pesquisa preenche lacunas teóricas ao conectar o ELTIF 2.0 à desregulamentação histórica, prêmios de iliquidez e inovação financeira, desafiando suposições e ampliando o entendimento sobre o papel do investidor de varejo nos mercados privados.

Palavras-chave: ELTIF 2.0, desregulamentação, mercados privados, investimentos alternativos

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Acknowledgement of Artificial Intelligence

This thesis aligns with the CATÓLICA-LISBON Academic Integrity Code and presents the original work and ideas of the author. All external sources, including the ideas of other authors, have been properly cited and credited in accordance with academic standards.

Artificial Intelligence tools were used to enhance the writing process in the following ways:

- Retrieving summaries of literature and reports
- Improving text fluency and readability
- Correcting grammar and spelling errors
- Transcribing audio recordings to text
- Translating content between German, English, and Portuguese

The used AI tools included ChatGPT, Whisper, DeepL and DeepSeek.

The author assumes full responsibility for the accuracy, integrity, and originality of the research and its final presentation.

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List of Abbreviations

AIF	Alternative Investment Fund
AMF	Autorité des Marchés
AUM	Assets Under Management
BaFin	Bundesanstalt für Finanzdienstleistungsaufsicht
ELTIF	European Long Term Investment Fund
ETF	Exchange Traded Fund
EU	European Union
FI	Financial Institution
IBBEA	Interstate Banking and Branching Efficiency Act
MiFID II	Markets in Financial Instruments Directive II
RI	Retail Investor
SMEs	Small and medium-sized enterprises
TDF	Target Date Fund
UCITS	Undertakings for Collective Investment in Transferable Securities

1. Introduction

Over the past decades, the global capital markets have undergone several significant transformations. These were mainly driven by disruptive technological advancements, shifting economic conditions and ever-changing regulatory environments (World Economic Forum, 2022).

This dynamic landscape has fostered the emergence of two preeminent trends. Firstly, the number of global retail investors (RIs) has grown significantly in the past years, as RIs were eager to participate in well-performing markets and seek more financial education. The high stock market returns after the COVID-19 crisis, as well as a fast adoption of app-based neo brokers, have amplified this phenomenon (World Economic Forum, 2022). Secondly, the complex-layered regulatory landscape of the European Union (EU) has led to a significant decline in public market listings. This trend stands in sharp contrast to the robust growth observed in the United States over the past five years (European Central Bank, 2024; McKinsey & Company, 2024). As more European companies decide to remain unlisted and more RIs look to deploy capital, the pressure for innovation in private market funding solutions increases.

In response to this shift in investment landscape, the EU introduced the European Long Term Investment Funds (ELTIFs) regulation in 2015 (European Parliament and Council of the European Union, 2015). The regulation's objective was to create an easily accessible investment vehicle targeting the capital of institutional investors and high-net-worth individuals. As ELTIFs mainly employ illiquid private assets such as private equity or infrastructure, the legislator hoped to bridge its economy's funding gap (European Parliament and Council of the European Union, 2015). However, due to sluggish fund growth, the EU decided to revamp the regulation in 2024, which became publicly known as ELTIF 2.0 (European Parliament and Council of the European Union, 2023). One of its key revisions was the reduction of entry barriers for the mass retail market, thereby broadening fund access (European Parliament and Council of the European Union, 2015, 2023). In 2023, ELTIFs contained 13,6 billion € in net assets, which only made up for about 0,187% of assets in alternative investment funds (AIFs), the superordinate fund category to ELTIFs (European Fund and Asset Management Association, 2023). Given the clientele's unfamiliarity with such asset classes, as well as an identified gap in existing literature, this development raises important questions about the potential opportunities, risks and future market adoption.

Therefore, this study aims to answer the following research questions:

RQ1: *What are the opportunities and risks of the ELTIF 2.0 regulation for retail investors, financial institutions and regulators?*

RQ2: *What is the growth potential of the ELTIF market for the next 10 years?*

The dissertation explores the potential positive and negative implications of these recent developments for the ecosystem's three identified key stakeholders, namely the RIs, the financial institutions (FIs) and the regulators. In this study, RIs comprise these individuals who now gain access to illiquid investments like private equity for the first time. Before ELTIF 2.0, such investments required a minimum liquidity of 500.000€ (European Parliament and Council of the European Union, 2014). As of the time of this study, investments in ELTIFs were available from as low as 1.000€ (NAO, 2025). The FIs' viewpoint included any corporation that actively engaged in the setup or distribution process of ELTIFs, i.e., banks, brokers and asset managers. The regulators' perspective included the viewpoint of the EU as a major legislator, as well as the domestic financial regulators such as the German Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) or the French Autorité des Marchés Financiers (AMF). *Chapter 2* reviews existing literature on ELTIFs, the 2.0 revamp and current market size. and. It also examines historical trends of financial deregulation, the illiquidity premium and economic effects of financial innovations. The review revealed an existing gap in research, as only one study, conducted by Scope Fund Analysis (2024), explored potential opportunities and risks. This study, however, did not differentiate between stakeholder perspectives and relied on outdated data before the revamp, omitting effects and changes in opinions post-ELTIF 2.0.

The methodology (*chapter 3*) followed a qualitative approach, collecting primary data through interviews with 12 experts. The interviews adopted a semi-structured approach and were subsequently analyzed using the Gioia Methodology, resulting in 7 aggregate dimensions. Based on a combination of primary and secondary data, a scenario analysis was elaborated, which resulted in three different potential growth outcomes for the ELTIF market.

The thesis adopted an industry analysis approach. The topic's novelty, as well as the lack of relevant historical data on RI's behavior with comparable assets, favored such method. Given the emergence of a new market in this context, the application of alternative methodologies, such as quantitative approaches based on historical data, was not feasible.

2. Literature Review

A thorough systematic review of existing academic articles on the topic of ELTIF 2.0 and its related opportunities and risks revealed a gap in literature. Solely one study by Scope Fund Analysis (2024) conducted a quantitative survey on the potential risks of ELTIF 2.0, however, several fields were left unexplored. Firstly, the study neither examined specific risks for RIs nor included the perspectives of other stakeholders such as the regulators or the FIs. Secondly, the study omitted the discussion of potential opportunities, market adoption in the mid- to long-term future or detailed descriptions of the found risks due to the survey's quantitative nature. Thirdly, post-ELTIF 2.0 effects and potential changes in experts' market perception were not accounted for, as the survey relied on data from 2023. Lastly, no forecast on the potential market development was conducted.

The systematic review was conducted using Google Scholar and EBSCO, employing keywords such as "ELTIFs", "ELTIF 2.0", "banking deregulation", "private equity for retail investors" or "product innovation banking".

Given the thesis' format as well as few existing academic articles, this review also included other practice-relevant sources such as legal documents of the EU. Overall, the review included 46 different sources: 29 academic business articles, 12 regulatory documents and 5 consulting or market reports from well-renowned institutions. The literature review for business-related articles ensured the highest quality standards, only including peer-reviewed publications from top academic journals, as stated by the Academic Journal Guide (Chartered Associated Business Schools, 2021). Out of the 29 used articles, 23 had a ranking of 3 and higher.

2.1 Introduction of ELTIFs

The EU introduced the ELTIF regulation on April 29, 2015, to provide "finance of lasting duration to various infrastructure projects, unlisted companies, or listed small and medium-sized enterprises (SMEs) that issue equity or debt instruments for which there is no readily identifiable buyer" (European Parliament and Council of the European Union, 2015). ELTIFs offer distinct investment options in long-term, illiquid and real assets such as private equity, private debt, long-term infrastructure projects or real estate. As such, ELTIFs play a crucial role in providing additional financing possibilities to the EU's real economy and advancing the implementation of its broader policy objectives (BaFin, 2024; European Parliament and Council of the European Union, 2015; EY Luxembourg et al., 2023; Stefan Staedter, 2020).

ELTIFs are a subset of AIFs by regulation (European Parliament and Council of the European Union, 2015). AIFs, in general, have fewer investment restrictions, as they mostly target institutional or professional investors. AIFs additionally allow the collateralization of any asset, which thus enables the potential for higher returns (PwC Luxembourg, 2016). In 2023, the net asset value of AIFs in the EU was 7,26 trillion €. The AIF's counterpart is the undertaking for collective investment in transferable securities (UCITS), which are a highly regulated product with a focus on liquid assets, such as shares, bonds or exchange traded funds (ETFs) (PwC Luxembourg, 2016). UCITS are products with an RI focus and generally generate lower performances than AIFs (PwC Luxembourg, 2016).

Before the inauguration of ELTIFs, a private investor had to be classified as a professional investor in alignment with the Markets in Financial Instruments Directive II (MiFID II). To be classified as such, an investor was obliged to satisfy two out of the following three criteria:

- execute 10 transactions of significant size per quarter over the past year,
- possess a minimum liquid portfolio of a size of 500.000€ or
- a professional engagement in the financial sector for at least one year.

(European Parliament and Council of the European Union, 2014)

These barriers previously hindered private projects from easily raising capital from retail investors.

2.2 ELTIF 2.0

After its launch in 2015, the ELTIF's market growth did not meet the EU's expectations, despite the union's focus on promoting long-term finance (European Parliament and Council of the European Union, 2023). Only a few ELTIFs had been authorized and the aggregate size of net assets was estimated at approximately 2,4 billion € in 2021 (European Parliament and Council of the European Union, 2023). The EU identified a general lack of financial literacy and awareness of the new asset class as key factors behind the sluggish development (European Parliament and Council of the European Union, 2023). In addition, RIs appeared to have low levels of trust and confidence in the financial industry (European Parliament and Council of the European Union, 2023). As a result, on January 10, 2024, the legislator released a revision of the initial regulation known as "ELTIF 2.0" (European Parliament and Council of the European Union, 2023).

Besides the regulation's revamp, the European Commission released a Retail Investment Strategy Act in 2023 (European Commission, 2023). It attempts to tackle RIs' current distrust in the financial industry and its new asset classes by improving information quality and ensuring increased cost-effectiveness (European Commission, 2023). Also, it could further close the household investment participation gap between the EU and the U.S. (European Commission, 2023).

2.3 Main Regulatory Changes

The regulatory relief has had a significant impact on RIs by introducing a distinction between ELTIFs marketed exclusively to professional investors and those available to RIs. Consequently, the market reach of ELTIFs is expanding, allowing fund managers to design offerings that meet the different regulatory requirements and risk profiles of each investor group (PwC Luxembourg, 2023). Additionally, the initial regulation imposed a minimum investment threshold of 10.000€ and a 10% aggregate cap for RIs with financial portfolios below 500.000€, limiting access to ELTIFs primarily to high-net-worth individuals. With the introduction of ELTIF 2.0, these statutory access restrictions have been removed, thereby expanding investment opportunities to a broader range of investors (BaFin, 2024). Table 1 depicts a comprehensive overview of all relevant regulatory changes.

Table 1: Main regulatory changes from ELTIF 1.0 to 2.0

	ELTIF 1.0	ELTIF 2.0
Minimum Investment	<ul style="list-style-type: none"> • 10.000€ for RIs • 10% exposure cap for RIs with portfolios below 500.000€ 	<ul style="list-style-type: none"> • No minimum investment size by regulation • No exposure cap
Portfolio Composition	<ul style="list-style-type: none"> • Minimum of 70% invested in ELTIFs • The rest can be invested in UCITS 	<ul style="list-style-type: none"> • Reduction to a minimum of 55%
Diversification	<ul style="list-style-type: none"> • Maximum of 10% exposure in a single asset 	<ul style="list-style-type: none"> • Increase to a maximum of 20% single asset exposure
Leverage	<ul style="list-style-type: none"> • Limited to 30% of net asset value for RI-targeted funds 	<ul style="list-style-type: none"> • Increase to 50% of net asset value for RIs
Real Asset Threshold	<ul style="list-style-type: none"> • Real assets had to be valued at a minimum of 10 million to be included in an ELTIF 	<ul style="list-style-type: none"> • No such threshold
Geographic Scope	<ul style="list-style-type: none"> • Focus on assets within the EU economy 	<ul style="list-style-type: none"> • Permission for investments in non-EU assets

Liquidity	<ul style="list-style-type: none"> Strictly closed-ended with limited liquidity 	<ul style="list-style-type: none"> Introduction of semi-liquid and open-ended features
Lock-Up Period	<ul style="list-style-type: none"> No minimum holding period 	<ul style="list-style-type: none"> Minimum holding period introduced, with potential for early exit via transfer matching
Investor Distinction	<ul style="list-style-type: none"> No differentiation between retail and professional investors 	<ul style="list-style-type: none"> Clear distinction in measurements and regulatory relaxation

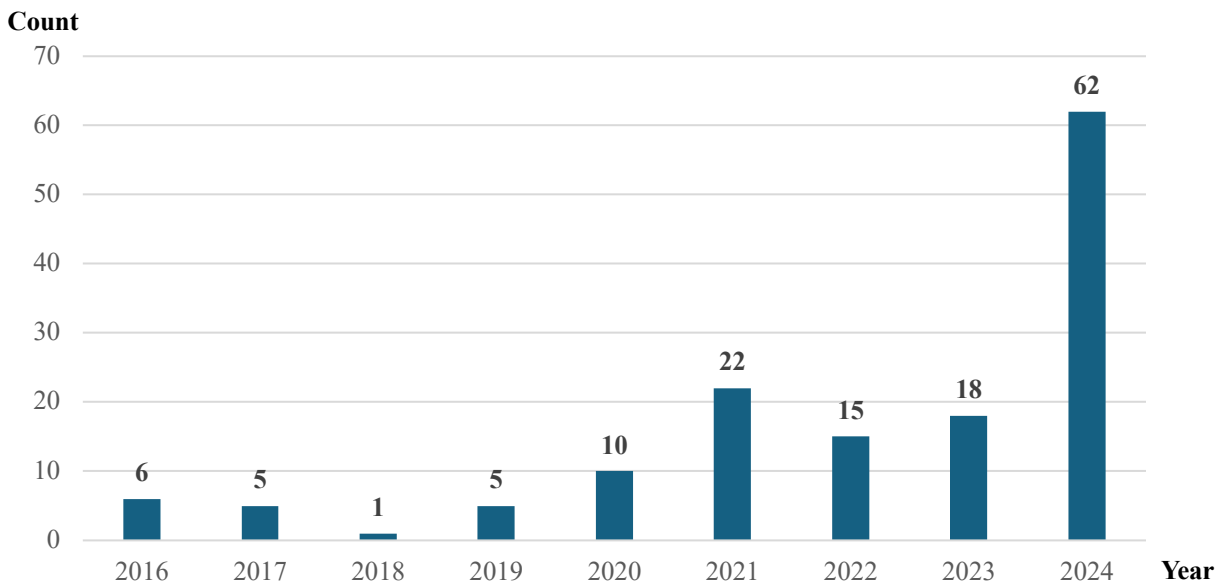
(European Parliament and Council of the European Union, 2015, 2023; EY Germany, 2024)

2.4 Current ELTIF Market

As of the date of this study, a total of 159 ELTIFs have been authorized since the investment vehicle's inception in 2015, with 84 out of these targeting solely RIs or RIs and professional investors (European Securities and Markets Authority (ESMA), 2025).

Figure 1 depicts the number of annual ELTIF authorizations, which were relatively small from 2016 until 2020. In 2021, numbers started to accelerate, possibly in expectation of a regulatory revamp. Since the inauguration of ELTIF 2.0 in 2024, ELTIF authorizations have significantly increased, reaching 62 authorizations.

Figure 1: Number of annual ELTIF authorizations



(European Securities and Markets Authority (ESMA), 2025)

So far, ELTIFs have been authorized across six European jurisdictions, namely Spain, France, Italy, Ireland, Liechtenstein and Luxembourg. The latter accounted for most authorizations, hosting 100 of these funds (*Figure 2*).

Figure 2: Authorizations of ELTIFs by domicile

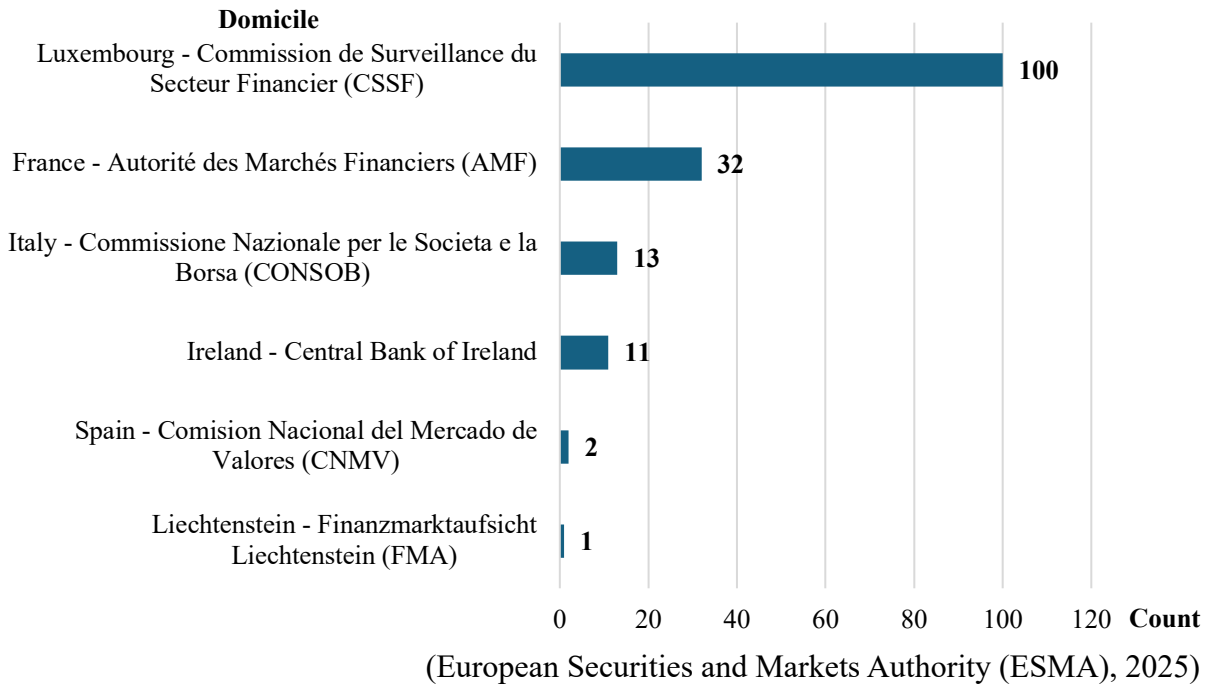
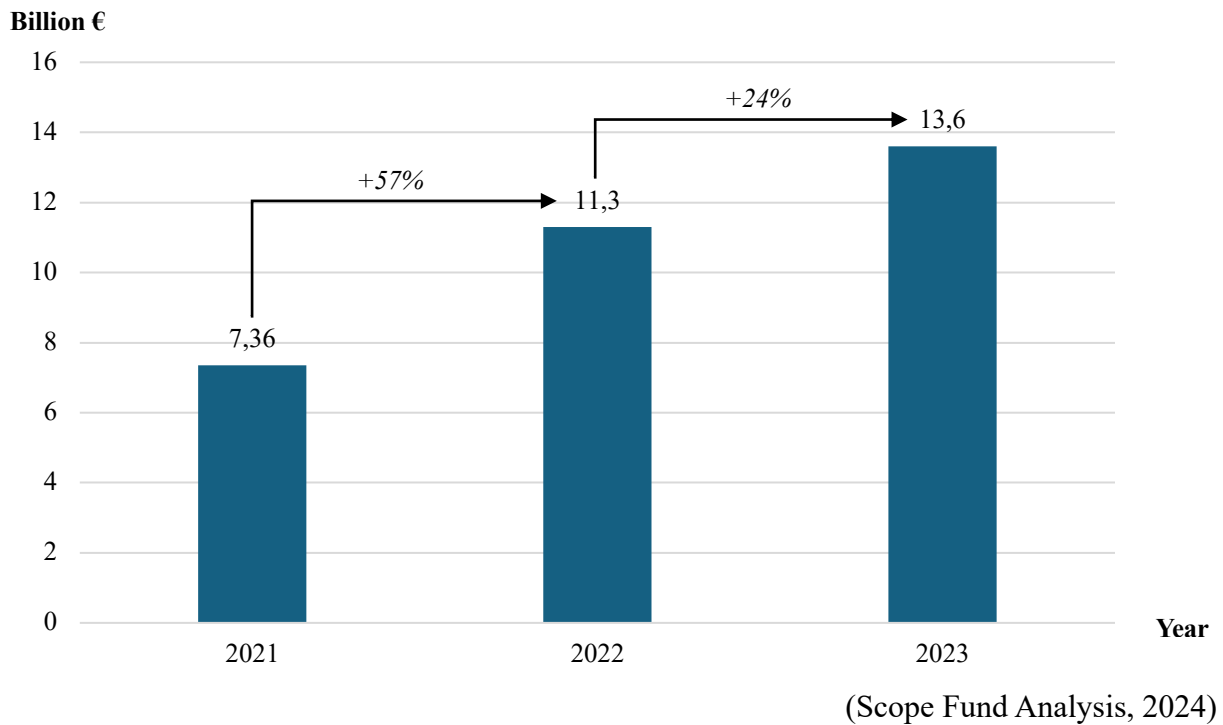


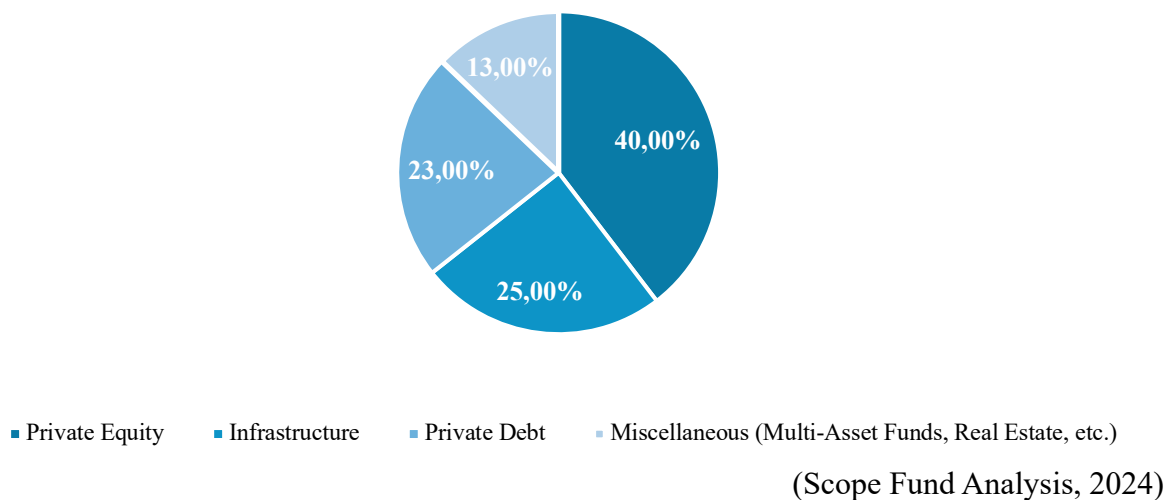
Figure 3 depicts ELTIF's total volume of assets under management (AUM) from 2021 to 2023. The volume almost doubled in two years, growing from 7,36 billion € in 2021 to 13,6 billion € in 2023. Concerning the AIFs' overall asset value of 7,26 trillion €, ELTIFs only make up for around 0,187% of the AIF market.

Figure 3: ELTIF volume from 2021-2023



The distribution of the fund volumes specifically targeting RIs has been dominated by private equity at 40% (Figure 4). The distribution of infrastructure and private debt was relatively balanced, with each accounting for approximately 25% of the total volume. Real estate funds, multi-asset funds and others were the least represented asset classes at 13%.

Figure 4: Asset breakdown of RI-focused ELTIFs



2.5 Illiquidity Premium

One of the main reasons investors sacrifice liquidity by investing in illiquid assets is the possibility of achieving increased returns compared to liquid investments. Amihud and Mendelson (1986) were the first researchers to prove a positive relationship between illiquidity and return. The illiquidity premium is the extra return investors get for holding assets that cannot be quickly sold without a price reduction (Hsieh & Nguyen, 2021). This is measured by the difference between the immediate execution costs and favorable delayed pricing (Amihud & Mendelson, 1986).

While the majority of research indicates a positive correlation between illiquidity and returns, the exact figures vary depending on particular parameters such as asset class, geographical region, investor homogeneity, general partners or vintage timeframe (Amihud et al., 2015; Amihud & Mendelson, 1986; Chan et al., 2021; Gruener & Marburger, 2022; Hsieh & Nguyen, 2021; Kaplan & Schoar, 2005). Amihud et al. (2015) found statistically significant evidence for a global illiquidity premium in 45 countries of risk-adjusted 0,45% to 0,82% per month, with the premium being higher in the emerging markets. Research by Hsieh & Nguyen (2021) indicates that an illiquid portfolio generates a monthly outperformance of 0,597%.

Ben-Repheal et al. (2015) found an illiquidity premium in U.S. stocks from 1964 until 2011. Additionally, it was found that the premium tends to shrink over time due to an improvement in market liquidity. A more recent study conducted by Gruener & Marburger (2022) shares the consensus of an existing illiquidity premium by demonstrating that private equity investments outperformed the two stock indexes, MSCI World and S&P 500, between 2007 and 2018. However, they also identified a decline of the illiquidity premium over time, with even some instances of underperformance.

2.6 Effects of Deregulation

The effects of banking deregulation have been a long-studied field in economic research as they directly impact business and financial markets (Berger et al., 2021). One event that has been particularly well studied is the 1994 Interstate Banking and Branching Efficiency Act (IBBEA) in the United States. Many researchers consider the IBBEA a pivotal moment in regulatory change, as it led to the nationwide deregulation of intrastate bank branching, allowing commercial banks to expand beyond state borders (Berger et al., 2021; De Franco et al., 2024; Keil & Müller, 2020). This event had several effects.

Firstly, the IBBEA had a significant impact on economic growth (Berger et al., 2020; Berger et al., 2021; Dang et al., 2022). Berger et al. (2021) found that the deregulation spurred economic growth, especially in states with high capital concentration, as banks were able to issue more loans to clients. Similarly, Bai et al. (2018) found that deregulation of U.S. banking markets led to significant increases in the relative employment and capital growth of young, high-productivity firms.

Secondly, evidence suggested a connection between the banking deregulation on firms' abilities for innovation (Berger et al., 2020; Dang et al., 2022). According to Amore et al. (2013), the deregulation of interstate banking resulted in increased quantity and quality of innovation, particularly for companies that rely more on bank financing. Cornaggia et al. (2015) corroborated these findings by pointing out that deregulation of interstate banking allowed smaller businesses to have easier access to capital for innovation. According to Hombert and Matray (2017), deregulation made credit more accessible to non-innovative firms while tightening conditions for innovative firms.

Thirdly, numerous modifications to banks' and borrowers' financing practices resulted from banking deregulation (Berger et al., 2020; Dang et al., 2022). A study conducted by Keil and Müller (2020) revealed that deregulation spurred a transition from syndicated loans to bilateral lending, creating greater opportunities for small, high-risk companies that previously faced increased borrowing costs and limited access to capital. De Franco et al. (2024) found that the IBBEA reduced firms' demand for top-tier auditors, as increased access to credit lowers the need for costly high-quality audits.

Lastly, deregulation decreased firms' financial risks, as it lowered a borrowing firm's risk of stock price crashes, as bank post-regulation monitoring procedures became more effective (Dang et al., 2022). Similarly, Jiang et al. (2020) found that deregulation intensified competition, an effect that led to reduced corporate risk and volatility by easing credit constraints, especially for those firms that depended significantly on external funding.

Since ELTIF 2.0 represents a significant deregulatory shift in the investment landscape, it is plausible that some of the well-documented effects of deregulation observed following the IBBEA in the U.S. banking sector could manifest similarly in the future.

2.7 Financial Innovation

The IBBEA is one example of how past deregulations led to lower entry barriers, new market entrants, and eventually higher competition (Bai et al., 2018; Cornaggia et al., 2015). Competitive markets force incumbent firms to adopt innovative strategies and products, as the creation of novel products is crucial for maintaining growth and a competitive edge (Akcigit & Kerr, 2018; Granja & Moreira, 2023).

The introduction of Target Date Funds (TDFs) in the U.S. provides a useful parallel in illustrating how innovative financial products can reshape RIs' behaviors. TDFs significantly improved portfolio management for RIs by implementing automatic rebalancing, thus mitigating the risks associated with investor inattention. Moreover, TDFs encouraged macro-contrarian trading behaviors, which contributed to more stable returns and curbed tendencies towards momentum investing (Parker et al., 2023).

However, the introduction of disruptive products is not without challenges. Ganja and Moreira (2023) found that certain credit market disruptions introduced in response to the 2008 financial crisis negatively affected incumbent firms' product line expansion. Akcigit and Kerr (2018) found evidence that U.S. companies' aggregate growth rather stems from external than internal innovations. Additionally, they suggested that only a few small firms possess the ability to truly innovate.

Despite these challenges, financial innovation continues to play a pivotal role in driving economic growth. Nazir et al. (2021) provided evidence for the positive impact of financial innovation on economic growth in both the short and long term. The study hence recommended that regulators adjust the financial policy in such a way that financial innovation can be improved and developed.

3. Methodology

Research can be categorized into qualitative, quantitative and mixed-method approaches considering the type of data sought (Taherdoost, 2022). Aspers and Corte (2019) define qualitative research as an iterative process aimed at enhancing the scientific understanding by generating new insights through close examination of a phenomenon. It differs from quantitative research, as it tries to coin new concepts. This includes the identification of new variables carried out concerning previous research and thus concerning theory (Aspers & Corte, 2019).

A qualitative approach appears most suitable for addressing this dissertation's research questions for several reasons. Firstly, the qualitative approach offers structural flexibility, enabling genuine insights into interviewees' perspectives by allowing open-ended questions rather than narrowly defined inquiries (Bryman et al., 2022). Secondly, considering the first research question examines perspectives from distinct stakeholders, a qualitative approach is especially valuable when the variable under study is complex and requires a deep understanding from multiple viewpoints (Mulisa, 2022). Thirdly, given the topic's novel nature, historical data needed to derive future trends and implications in a quantitative approach is still lacking.

The qualitative approach was implemented through semi-structured expert interviews and subsequently analyzed, building a data structure that relates informant-based codes to researcher-based themes and dimensions as proposed by Gioia (2013, 2023).

3.1 Primary Data Sample Strategy

As ELTIF 2.0 impacts the extensive stakeholder ecosystem, implementing an effective sampling strategy is essential for thorough research (Taherdoost, 2016). A non-probabilistic sampling method was used, selecting experts based on predefined criteria rather than random selection (Berndt, 2020). Qualitative interviews with industry experts provided primary data. The selected interviewees met the following criteria:

- **Involvement in the ELTIF-ecosystem:** Participants had direct relevant professional experience within their respective sectors, aligning with one of the three primary stakeholder perspectives within the ELTIF 2.0 ecosystem: RIs, FIs, or regulatory bodies. Qualified candidates included individuals employed by ELTIF-issuing fund management firms, personnel in private banking or wealth management divisions of

FIs, and representatives from regulatory authorities overseeing financial products and investor protection. Additionally, consultants specializing in finance or regulatory studies were suitable participants, as they provided an objective perspective and contributed depth to the discourse on ELTIF 2.0.

- **Industry experience:** Experts were required to have at least two years of experience in their respective fields to ensure a deep understanding of industry dynamics and recent regulatory changes related to ELTIFs.
- **Geographical relevance:** Since ELTIFs impact all EU member states, each with distinct investment cultures and economic standards, the selection of interviewees focused on countries with advanced financial markets. As such, this dissertation involved experts from Germany, France and Luxembourg.

The most effective approach to finding expert interviewees for this topic was a combination of the two methods of purposeful sampling and snowball recruiting (Stratton, 2021). Potential candidates were initially contacted via LinkedIn based on the previously defined criteria (purposeful sampling). After interviews, participants recommended additional candidates (snowball recruiting).

The outreach strategy targeted 26 experts, which ultimately led to 11 interviews with 12 experts who are involved in various stakeholder corporations within the ELTIF-ecosystem (Table 2). The interviews 5 and 6 were conducted in English, while the rest were conducted in German to ensure the most detailed responses in a participant's native tongue. Interview 6 was the only session conducted in person, while all remaining interviews were carried out via Microsoft Teams or Zoom. Given the temporal limits for writing and submitting this thesis, a sample size of 12 interviewees was considered sufficient to ensure the inclusion of individuals with diverse roles, experiences, backgrounds, and other sources of variability that could influence their responses (Rowley, 2012).

Table 2: Interview overview

Interview	Interviewee ID	Length	Date	Company	Position	Country
<i>1</i>	I1	48:50m	30.10.2024	Asset Manager/ Broker	Relationship Manager	Germany
<i>2</i>	I2	47:58m	01.11.2024	Asset Manager/ Broker	Senior Product Manager	Germany
<i>3</i>	I3	40:25m	04.11.2024	Broker	CEO	Germany
<i>4</i>	I4	47:39m	06.11.2024	Asset Manager	Managing Director	Germany
<i>5</i>	I5	42:46m	08.11.2024	Consulting Firm	Partner Asset Management Consulting	Luxembourg
<i>6</i>	I6A, I6B	01:01:00m	15.11.2024	Regulator	Policy Officer, Senior Economist	France
<i>7</i>	I7	20:34m	15.11.2024	Private Bank	Investment Advisor	Germany
<i>8</i>	I8	26:18m	20.11.2024	Consulting Firm	Director Tax	Luxembourg
<i>9</i>	I9	46:28m	20.11.2024	Asset Manager	Head Wholesale	Germany
<i>10</i>	I10	01:01:50m	22.11.2024	Asset Manager	Senior Vice President	Germany
<i>11</i>	I11	51:04m	29.11.2024	Asset Manager	Product Specialist Private Assets	Germany

3.2 Primary Data Collection

The interviews followed a semi-structured approach, as proposed by Gioia (2013). Semi-structured interviews combined open-ended questions with a predefined framework to ensure response comparability (Adeoye-Olatunde & Olenik, 2021). It encourages interviewees to share rich, unexpected insights, making it particularly well-suited for exploratory research. Additionally, the semi-structured interviews fostered idea generation among the respondents (Kakilla, 2021).

An interview protocol with 11 questions was formulated before the interviews (Table 3). The questions were formulated with a clear focus on the research questions, while leading-the-witness questions were avoided (e.g., "Wouldn't you agree that...?") (Gioia et al., 2013). Additionally, the questions were organized into thematic groups to ensure a comprehensive exploration of the first research question. These groups included the interviewees' relationship to ELTIF 2.0 in their position, perspectives on ELTIFs for FIs, RIs, and regulators, as well as future outlooks (Table 3). The structure ensured that each interview covered the essential themes while allowing interviewees to delve into topics within their area of expertise (Rowley, 2012). Additionally, the question groups' order was adjusted to the interviewees' field of expertise. For example, when interviewing a regulator, questions relevant to the regulator's perspective were prioritized, followed by questions regarding RIs and regulatory bodies. This approach ensured that the interviewee's area of expertise was emphasized and set the context for later questions (Dumay & Qu, 2011). Additionally, if responses to pre-defined questions yielded particularly insightful answers, further spontaneous follow-up questions were posed to deepen the discussion.

Table 3: Question catalog

ID	Question	Group
<i>Q1</i>	Could you please briefly describe the connection between your position or company to the ELTIF 2.0 regulation?	ELTIF 2.0 Context
<i>Q2</i>	How did the shift from ELTIF 1.0 to 2.0 impact your daily work or organization?	ELTIF 2.0 Context
<i>Q3</i>	What are the biggest opportunities for FIs?	Financial Institutions
<i>Q4</i>	What are the biggest risks for FIs?	Financial Institutions
<i>Q5</i>	What are the biggest opportunities for RIs?	Retail Investors
<i>Q6</i>	What are the biggest risks for RIs?	Retail Investors
<i>Q7</i>	What are the biggest opportunities for regulators (EU, BaFin, AMF,...)?	Regulators
<i>Q8</i>	What are the biggest risks for regulators (EU, BaFin, AMF,...)?	Regulators
<i>Q9</i>	Looking at a medium-term future (5-10 years), how do you see these types of products evolving?	Future Outlook
<i>Q10</i>	Do you expect ELTIF 2.0 to create a more competitive landscape for FIs in the EU?	Future Outlook
<i>Q11</i>	What key factors will determine how institutions stand out with ELTIF products?	Future Outlook

The interviews were digitally recorded with the interviewees' consent. Subsequently, these records were transcribed using Whisper by OpenAI. The results were carefully reviewed and manually corrected for grammar and spelling errors. Ultimately, the process resulted in 116 pages of transcripts.

3.3 Primary Data Analysis

The interview data were analyzed using the Gioia Methodology, which effectively balances the inductive development of new concepts with the rigorous standards required in academic research (Magnani & Gioia, 2023). The interview analysis followed an inductive approach, whereby the categorization was not guided by pre-existing conceptual frameworks or theories. Instead, patterns and concepts were derived from the qualitative data as they emerged during the analysis (Al-Ababneh, 2020; Skjott Linneberg & Korsgaard, 2019). The goal of using this methodology was to build a data structure that relates informant-based codes to researcher-based themes and dimensions and thus makes the analysis inherently transparent (Magnani & Gioia, 2023).

The Gioia-based data structure was split into several key stages (Gioia et al., 2013). Initially, interview quotes that contained interesting ideas formed first-order concepts. This process enabled the researcher to identify common patterns and connections between the different ideas. The use of direct quotes not only gives voice to the informants but also signals the validity of information and thus evidence (Magnani & Gioia, 2023; Gioia, 2021; Gioia et al., 2013). Next, the researcher thematically categorized the first-order concepts by focusing on identifying nascent patterns resulting in second-order themes. These represent the researcher's conception of the provided data in connection with the previously treated literature (Magnani & Gioia, 2023; Gioia, 2021; Gioia et al., 2013). In a last step, the data structure included merging the second-order themes into the much broader defined aggregated dimensions (Magnani & Gioia, 2023; Gioia, 2021; Gioia et al., 2013). Only after this integration, a complete data structure was created (Table 4). Since the first research question focused on the dimensions of opportunities and risks from the perspective of three different stakeholders, the aggregation of first-order concepts and second-order themes resulted in the very same dimensions.

First-order concepts that were originally expressed in German were translated using DeepL Translator.

3.4 Secondary Data

The results included quantitative secondary data, in addition to the collected primary data from expert interviews. Secondary data is defined as data that was collected by someone else for another primary purpose (Johnston, 2014). The use of secondary data is a viable approach for answering this study's research questions, as collecting macroeconomic market data relevant to ELTIF 2.0 was not feasible due to time and financial constraints. The secondary analysis followed a research question-driven approach, systematically searching datasets to evaluate the hypothesis (Cheng & Phillips, 2014).

As such, *chapter 2.4* used a raw dataset from the European Securities and Markets Authority (2025) to visualize the number of ELTIF authorizations and domiciles. The chapter also included a study by Scope Fund Analysis (2024), which provided the only available data to estimate the current market volume and asset allocations.

3.5 Scenario Planning

In *chapter 4.8*, three potential scenarios of the development of the future market volume in ELTIFs were developed. The development of these scenarios is rooted in the intuitive logics approach (Amer et al., 2013; Schoemaker, 1995). According to Schoemaker (1995), the use of intuitive logic scenario planning is particularly beneficial when there are strong differences in opinion. As the results of the primary data analysis provided different perceptions of the future growth of the ELTIF market, using a scenario planning framework was deemed appropriate. First, the existing secondary data was used as a quantitative base, providing information on the current market volume and absolute and percentual annual growth rates. Next, key driving forces were derived from the results of expert interviews and converted into three potential scenarios, all of which are seen as plausible and equally probable (Amer et al., 2013). Ultimately, future growth rates were built by combining past quantitative data with future-looking qualitative data.

4. Results

This chapter consists of the main findings from the Gioia-based analysis of the 11 interviews conducted. The findings provide a comprehensive overview of the key trends, emerging opportunities, and underlying dynamics that are shaping the industry.

Table 4 illustrates an example of the conglomeration of citations as first-order concepts, the derivation of second-order themes and thus the derivation of the aggregate dimensions. The full data structure can be found in Appendix 1: Data Structure.

Table 4: Exemplary excerpt of Gioia-based data structure

First-Order Concepts	Second-Order Themes	Aggregate Dimensions
"Roughly speaking, the greatest opportunities lie in the democratization of private assets. Here, an asset manager can tap into a more stable asset base that fluctuates less due to the lower volatility. With the exception of open-ended ELTIFs, clients are generally tied to the income for a very, very long time, in the case of closed-end funds until the end of the term. This gives them greater predictability of the assets." (I11)	Improved plannability due to fewer liquidity fluctuations in closed-ended fund structure	I. Opportunities for Financial Institutions: Harnessing a low-volatile AUM growth by tapping into a new EU-wide customer segment
"With closed-end funds, you have the fund term. Of course, you know that customers are in the fund for such a long time. So I think the predictability is much higher compared to open-ended liquid funds." (I11)		
"Specifically, the fact that the ELTIF now has a European structure that can be transported very easily. Our ELTIFs are all issued in Luxembourg and the fact that we can simply distribute them in all European markets without any problems is a great relief compared to the past, when you had to register the consequences in every country and talk to the regulator." (I10)	Easier cross-border product distribution through passporting	
"So, ELTIF is the only label that enables alternative investment funds to be distributed to retail investors everywhere in Europe. So, the, you know, the European passport. So, that's really the biggest advantage for asset managers, I would say." (I6A)		
"And there is always passporting, [...]. And it used to be the case that even if I now have a fund [...] it may only be displayed in Germany. In other words, I can passport everywhere, I can open securities accounts everywhere, but I can't sell the fund. And now I can sell it everywhere through ELTIF." (I3)		
...		

Chapter 4.1 to 4.6 addresses research question **RQ1** in discussing the possible opportunities and risks of ELTIF 2.0. *Chapter 4.7* addresses the research question **RQ2**, combining primary and secondary data to forecast market adoption.

4.1 Opportunities for Financial Institutions: Harnessing a low-volatile AUM growth by tapping into a new EU-wide customer segment

This finding underscores the significant potential that the ELTIF 2.0 regulation holds for FIs' business growth and internationalization. While all interviewed experts acknowledged ELTIF 2.0 as a positive development in various ways, a range of opportunistic factors were identified. As ELTIF 2.0 opens the alternative asset world to the RI market, FIs have the chance to "expand [their] offering enormously" (I3). As such, ELTIFs "compete with ETFs in a positive sense", as FIs now have a "huge range from [...] what [they can] offer" (I8), so that customers "can really take the best [product]" (I8).

I2, I7, I9 and I10 agreed that the FIs' expansion in product offerings would "open up a very, very broad field of new investors alongside their professional investors" (I7). Hence, FIs could "[diversify] the client base" (I6A) and establish new distribution partners in the retail segment. These partnerships benefit FIs in the long term, as they could further "expand [these] sales partnerships as a result" and "offer other products [...] in the long term" (I1). I9 and I10 believed that these new channels have "a huge growth potential" and could turn "just as big as the business we already have today."

In addition to the sales expansion, fund providers can benefit from two cross-border aspects. Firstly, I10 mentioned that institutions will enter a market that "goes hand in hand with the megatrend of the democratization of private markets, which we see globally". Given these developments, ELTIFs also start to attract other investors from outside of the EU, such as "very large U.S. banks" or asset managers from Singapore (I3). Secondly, ELTIFs depict a pan-European regulation and institutions can passport ELTIFs to other EU countries at ease. According to I6A, "ELTIF is the only label that enables alternative investment funds to be distributed to retail investors everywhere in Europe". To FIs, this is a "great relief compared to the past, when you had to register the consequences in every country and talk to the regulator" (I10). Hence, the passporting aspect of ELTIF 2.0 leads to an increase in financial product scalability and a decrease in bureaucratic activity.

Furthermore, ELTIFs benefit FIs with enhanced internal liquidity management. I11 highlighted "the predictability [of ELTIFs] is much higher compared to open-ended liquid funds", such as ETFs. While some ELTIFs are entirely illiquid and do not offer any sort of capital withdrawal, some others are semi-liquid and offer quarterly withdrawals through liquidity gates. Therefore, "an asset manager can tap into a more stable asset base that fluctuates less due to the lower volatility" (I11).

In summary, ELTIF 2.0 presents a significant growth opportunity for FIs by unlocking a new RI segment, expanding product offerings, and streamlining cross-border distribution. Beyond revenue potential, ELTIFs also enhance liquidity management, providing asset managers with a more stable and predictable capital base. As a result, institutions that strategically position themselves early can gain a competitive advantage in this evolving market.

4.2 Risks for Financial Institutions: Facing reputational risks due to liquidity mismatches and the erosion of the illiquidity premium driven by elevated costs

This finding illustrates the critical role of FIs' responsibility for education, transparent communication and good quality products. A neglect of such responsibility could lead to tremendous reputational damage and financial losses.

Compared to professional investors, RIs in ELTIFs stand out in two ways. Firstly, retail ELTIFs have a much higher number of investors due to the smaller ticket sizes and secondly, RIs are less informed and educated on investment topics. This requires asset managers to focus more on providing investors with "sufficient information about what they are investing in, the risks, opportunities, the interrelationships and also the challenges over the years" (I4). I11, I4 and I1 all agreed on the utmost importance of using proactive investor education to ensure that no "false expectations are placed on liquidity" (I1). FIs need to inform investors that "higher expected returns are also accompanied by a higher capital commitment and a longer capital commitment and reduced liquidity" (I4). Failure to achieve sufficient education "could lead to the customer being irritated, for example, because they feel they have been given the wrong advice" (I11).

I1 states that if investor education "is not adhered to by sales, bad press can arise very quickly" (I1), which will inevitably lead to a bad reputation for institutions. I11, I1 and I7 acknowledged that "the reputational risk is the highest" (I11) risk for FIs. Furthermore, I10 noted that a negative reputation could lead to "completely different legal and image implications", as the

funds are "distributed by a banking network throughout the country or throughout Europe". I1 emphasized that if poor quality products don't reach the promised returns, this could "have a bit of a domino effect" and damage the ELTIF's reputation.

In contrast to the previous argument, I10 believed that the biggest risk with ELTIFs for FIs does not lie within the reputation but "the liquidity that can be built in". Because ELTIFs can be structured as semi-liquid funds, I6A believed it's vital that if an asset manager is "marketing [the] fund as open-ended, [they] have to make sure [they]'re able to fulfil that promise to investors". I10 added that these problems will especially occur "if there is a crash in the market and everyone wants their money back." This risk is especially relevant for ELTIFs, as "institutional investors are quicker to redeem, so it's usually the RIs that are caught in the product" (I5) and can't liquidate their investments. To mitigate these risks, an asset manager needs to find "a balance between the liquidity buffer in the fund and the potential needs of the investors" (I5). According to I5 and I4, similar events have happened in the past, "which has since completely destroyed the asset class". Open-ended real estate funds were sold to German investors as "an overnight money alternative" (I4) and many RIs couldn't request liquidation during the 2008 financial crisis.

Opposed to illiquid institutional funds, the larger investor base of retail ELTIFs leads to "greater complexity" (I2) for asset managers in several ways. Firstly, RIs have higher expectations towards the IT infrastructure and demand a transparent view on their current portfolio (I8). Secondly, with ELTIFs, "there is a different regulatory framework [...] that [asset managers] have to take into account in every step" (I2). Hence, "processes are simply different" (I2) and require more employee training. Thirdly, as asset managers must prioritize maintaining fund liquidity for RIs, less capital is allocated to investments, leading to "poorer total expense ratios" (I3). All three factors drive up a fund's operational and opportunity costs, potentially eroding the ELTIF's illiquidity premium—the key beneficial attribute of illiquid asset classes that "should actually outperform" (I3).

Concludingly, by entering the ELTIF market, FIs risk reputational damage and financial losses from liquidity mismatches, high costs, and unmet investor expectations. RIs require clear education to prevent false assumptions about liquidity and returns. Increased regulatory complexity, IT demands, and liquidity constraints further drive up costs, potentially eroding the ELTIF's illiquidity premium.

4.3 Opportunities for Retail Investors: Expanded access to private markets enhances diversification, decreases volatility and unlocks superior risk-adjusted returns

This result underscores the disruptive portfolio-enhancing benefits that ELTIF 2.0 brings to the broad RI market.

ELTIFs have the potential to decrease an investor's portfolio volatility. Unlike stocks, which are valued every second at the global exchanges, ELTIFs follow a "quarterly valuation of the assets" (I11), which thus leads to "fewer fluctuations in your portfolio" (I3). I1 emphasized the psychological benefit, noting that investors perceive a "constant upward trend" rather than continuous fluctuations. Furthermore, I1 also believes that the ELTIF's illiquidity might even protect inexperienced investors "from themselves because they can't simply liquidate". I9 added that portfolio stability is reinforced not only by quarterly valuations but also by infrastructure investments, which provide "regular cash flows independent of the stock market."

Another key advantage for ELTIF investors lies in the high potential returns, attributable to the illiquidity premium. ELTIFs are "highly suitable for investors who do not require an immediate payout" (I5) and thus suitable for investors who are willing to sacrifice liquidity for gaining an illiquidity premium. According to I1, the target returns for "most ELTIFs is between 12 and 13% net". Meanwhile, the S&P500 has only produced an average 11.46% before costs (S&P Global, 2025), indicating a slight premium. I6B noted that some ELTIF providers promote "15-18% [returns] annually over the past 20 years", suggesting an even higher premium in certain funds.

I2, I3 and I11 all described diversification as a big goal of ELTIF investments. I3 described diversification as "to achieve more return with the same risk or the same return with less risk", which can only be achieved "across asset classes". The inclusion of ELTIFs in a portfolio also brings a "diversification advantage on the liquid-illiquid axis" (I11). I1, I2, I5, I7 and I10 all agree that ELTIFs are especially relevant in diversifying a portfolio from public equity returns. According to I10, "retail investors' equity portfolios are often highly concentrated since most ETFs now overweight the Magnificent Seven and other tech stocks." Consequently, ELTIFs are an efficient means of diversification for all those investors that "have covered everything that is liquid" (I2).

Lastly, ELTIFs immensely broaden an investor's product selection and allow for a completely new investing experience. RIs now have access to "really exciting asset classes" (I3) and exposure to "new business models, even at an early stage" (I9). Furthermore, they can invest

in "an area that was previously either completely reserved for institutional investors or very large retail investors" (I7). As a result, RIs can now construct "a genuine family office-like portfolio" (I4) and bridge the gap to traditionally elite investment opportunities.

To sum up, ELTIFs provide RIs with enhanced portfolio stability through quarterly valuations and illiquidity, protecting them from market volatility. Additionally, they offer access to higher potential returns via the illiquidity premium and enable broader diversification by including previously inaccessible private market assets. This democratization of private investments allows RIs to construct more sophisticated portfolios, traditionally reserved for institutional and high-net-worth individuals.

4.4 Risks for Retail Investors: Lack of education and experience could lead to poor returns and false redemption expectations

This finding underscores the significant risks associated with investing in underperforming products without access to redemption options. These risks are primarily rooted in the absence of investment experience and education in investing in illiquid assets, which poses challenges for RIs.

According to I10, "the biggest risk" (I10) for RIs is the lack of "sufficient or correct understanding of what they are actually doing". I7 mentioned the possible explanation that this challenge is rooted in the lack of investing experience in illiquid assets. This state of information deficit can lead to "choosing the wrong product" (I9) and "frustration" (I2). This risk might be amplified by the phenomenon of RIs feeling "very, very well informed" (I4) due to the "great deal of communication about ETF investments and savings plans" (I4) in the past years. This may have boosted many RIs' self-confidence, potentially distorting their perception of their actual investing skills and leading to misguided investment decisions.

Moreover, beyond inexperience and lack of education, the semi-liquid structure of ELTIFs could also lead to "frustration" (I1). This can occur when ELTIFs are marketed as semi-liquid, offering quarterly redemption opportunities, but in practice, investors may find no viable options to liquidate their holdings (I11, I6A, I4, I1). According to I1 and I10, the "two-year lock-up period" (I10) after the initial investment, combined with the requirement to submit a "sell application six months in advance" (I1), could further amplify investor frustration of not being able to liquidate.

Furthermore, I11, I9, I1 and I3 agreed on the fact that achieving high investing returns and particularly an outperformance to the public stock market is not reliable and highly dependent on choosing the right fund manager. I1 explained that only "the top 25% [of] asset managers really have this out-performance. Anything below that tends not to and the worst 25% or 50% are even negative". I3 believed that to achieve an outperformance, it is essential "to look at the asset manager's long track record" and question its future reliability. According to a study by I3 and I6B, both stated that some asset managers "go in extremely leveraged in the private market sector" (I3), which could pose additional risks for RIs. To mitigate these risks, I11 suggested to "not prioritize returns" in the decision making, "also against the background of the customer experience". Furthermore, I10, I9 and I8 identified the uncertain market environments as a risk to RIs. According to I9, "geopolitics, country risks [and] currency risks" possessed a high-risk potential to ELTIF RIs. I10 acknowledged the potential implications of a prolonged high-interest environment, which could result in unrealistic future valuations compared to those "that have developed in the private equity market over the last 10 to 15 years".

All in all, the lack of education may lead to many investors having unrealistic expectations of potential returns and redemption possibilities. This, in turn, could result in many investors experiencing a high level of frustration.

4.5 Opportunities for Regulators: Bridging gaps in private market funding and retirement savings through retail capital participation

The EU, as an active regulator in the financial landscape, had a variety of macroeconomic and reputational reasons in mind when publishing ELTIF 2.0.

Since ELTIF 1.0 was not considered a "blatant success" (I6B) and the regulation is widely regarded as a failure, the EU has suffered a reputational setback. ELTIF 2.0, along with its deregulatory measures, offers the EU an opportunity to "live up to their positive image" (I8) again. Moreover, I8 and I6B saw potential in ELTIF 2.0 to build an attractive "European brand" (I6B) and thus "strengthen Europe again" (I8).

Interviewees I10 and I7 noted that ELTIFs have the potential to "close the pension gap" (I7) for RIs at retirement age. This perspective is particularly relevant in the context of struggling European pension systems, such as Germany's, where a shrinking workforce, driven by low birth rates, puts increasing pressure on the state pension system, raising the risk of old-age

poverty. The development of such structural deficit fosters importance for private pensioning systems increasingly, where ELTIFs offer "the opportunity to invest money in even more diverse ways with high returns" (I7). I10 supports the idea of including ELTIFs in pension products and granting investors "preferential tax treatment", as already done in some EU countries. As such, these ideas showcase sustainable concepts of relieving other distressed systems by the regulator.

I6A, I5, I4, I3, I2 and I1 mentioned the regulator's opportunity of strengthening the "private financing of the European economic area" (I1). I5 remarked that the reasons behind the lack of capital in private markets are rooted in the aftermath of the 2008 financial crisis, where the banking industry experienced "a little bit of a derisk, meaning the capital restrictions that you have on the banking side are quite significant now". Consequently, with ELTIF 2.0, the EU aims to simplify "access from private capital to private listed companies" (I5). As a result, the EU expects ELTIFs to have "a positive contribution to the European economies" (I4) and "create innovation, labor, economic growth, i.e., jobs" (I1).

In addition, ELTIF 2.0 represents an effective vehicle to "encourage[] the provision of funds" (I11) for the maintenance, modernization and construction of essential European infrastructure. This objective aligns with the regulator's strategic interests to stay economically competitive. Both I5 and I3 used Germany as an example to diagnose a devastated European infrastructure and undermine the argument of urgent financial support with retail capital. I5 stated that infrastructural investments in Germany would lack an "incredible amount of money that cannot be tax-financed". I3 mentioned that "Germany's capital is not even enough to maintain the status quo, the infrastructure as it is right now". Hence, there is "interest in national governments as well to find new sources of funding" (I5). Furthermore, I11 argued that ELTIFs hold a decisive advantage over stock market financing when it comes to infrastructure investments. This is mainly due to their nature as a "primary investment" (I11). In contrast to the stock market, where shares are simply exchanged on a secondary market, with ELTIFs, "the money has actually already been invested" (I11) and RIs' capital flows directly into financing infrastructure projects. As such, ELTIFs embody an efficient solution to the EU's gap of infrastructural financing.

Concludingly, ELTIF 2.0 is an opportunistic initiative with the potential to tackle many of the EU's structural deficits, namely the struggling pensioning systems and financing gaps of private-listed companies and infrastructure projects. Besides this, the EU could upgrade its tarnished image from the restrained market adoption of ELTIF 1.0.

4.6 Risks for Regulators: Weak regulatory integrity could incentivize fraudulent products, limit market demand and overwhelm authorities

This finding highlights several risks for regulators concerning ELTIF 2.0 in terms of product quality, market acceptance and excessive administrative burden.

I1, I4, I5 and I10 agreed on the risks of a limited market adoption and development of ELTIF products due to both excessive and insufficient deregulation. On the one hand, I4, I5 and I10 expressed concerns that "ELTIF 2.0 could potentially be over-regulated" (I4), making the product "too restrictive" (I5), which would be an analogue development to ELTIF 1.0 (I10). On the other hand, I10 also issued fears of regulators having "deregulated too much". Both evolutions "would not only hamper the development of ELTIF but would also jeopardize the opportunity to participate in this megatrend" (I10). Furthermore, excessive regulation could "counteract this positive impetus that the EU wanted with ELTIF 2.0" (I4), with companies "not able to source enough funding for the investment projects" (I5).

The deregulation and relaxation of ELTIF rules could potentially open the market to fraudulent, irresponsible and poor-quality fund providers (I1, I2, I3, I5, I10). According to I2, fund providers exploiting the loose framework and thus prioritizing money over responsibility is the "biggest risk" to regulators. I10 argued that with ELTIF 2.0, there could be many inexperienced fund providers entering the market, offering "poorer or too expensive products". I1, I5 and I10 all agreed that such incidents could lead to a "negative impact on the overall reputation of the product" (I5) and the press would be "all over it" (I1). This could result in reputational damage for the ELTIF brand, with the EU potentially becoming a scapegoat for its regulatory shortcomings.

Both I6A and I8 expressed concerns about the accuracy and frequency of valuations of the illiquid assets in ELTIFs. I6A highlighted that the problem of allowing regular redemptions while conducting regular fund valuations is infeasible. This raises doubts about whether ELTIFs are truly "valued at fair value" (I6A). Similarly, I8 described daily asset valuations as "technically impossible" and warned that regulators could eventually "reach their limits at some point" in overseeing fund audits. This concern is not new and has already been observed among institutional investors dealing with illiquid assets. However, with potentially millions of European RIs entering this market, the number of complaints and issues could reach new dimensions.

Overall, the EU, with all its national authorities, encounters several risks with the introduction of the ELTIF 2.0 framework. The general risk of either excessive or insufficient regulation

could slow the development of this new market with the continuance of hindering private companies from receiving an alternative funding possibility, as already happened with ELTIF 1.0. Insufficient regulation, in particular, could open the market to fraudulent fund managers, which could cause lasting reputational damage to the ELTIF brand. Finally, the structural setup and complex processes involved in determining a fund's net asset value could prove overwhelming for authorities, potentially leading to limitations in their capacity to oversee market activities.

4.7 Market Adoption: ELTIF distribution could surge exponentially in the mid- to long-term future, reaching a 10–20% portfolio allocation as retail accessibility improves

In the future, ELTIFs could evolve from a more professional product towards a more RI-oriented product (I4, I5, I10). I10 and I4 predicted a shift in the products themselves. Future funds would, for example, offer a "multi-asset private asset product" (I10), which aims to combine all benefits of different private asset classes into one product and thus provide easy access to RIs. Besides this, ELTIFs have the potential to develop into a more "diverse" and "specialized" (I4) direction, similar to ETFs in the past years, where more and more asset classes and industries become viable investment options. I4 and I5 also described a market, where ELTIFs will be "available on any distributor's product shelf" (I5), as simple as "buy[ing] a UCITS fund today" (I5). ELTIFs could also "no longer focus solely on the wealth management or private banking channel but also become increasingly accessible to retail investors" (I4). Funds will be bookable into traditional bank accounts and tradeable "just like other open-ended fund products" (I4).

I1, I3, I9 and I10 anticipated ELTIFs to "become an integral part of a standard allocation for private clients" (I10), with an average allocation between 10% to 20% across all portfolios. I1 and I9 highlighted likely dispersions in investment behavior, with many investors projected to "have 0 percent in their portfolio, others perhaps 20, maybe even more" (I9). Investors may also adjust their allocation based on short to medium-term future liquidity needs (I1). I3 believed that while ELTIFs will not see as many investors as stocks, "a large proportion of those who invest in private alternatives, certainly 75% of them, will also mix it in [their portfolios] in the future".

While I1, I2, I3, I4, I5, I7 and I11 all predicted a strong development of the ELTIF market over the mid- to long-term future, their forecasts on the growth's timing varied. I3 and I11 expected

a strong growth in sales within the mid-term time horizon of two to four years, as this might be the point in time when "a certain level of confidence in the processes" (I11) was built. Additionally, I11 argued that the market will see an "exponential development" where "sales figures will increase abruptly". I1, I2 and I5 noted that the ELTIF market will experience growth over a more long-term horizon of ten years or more. I2 acknowledged that in five years there might be "a bit of movement in the market" due to first distributions to investors. However, a push in "momentum" (I2) would only be seen over a ten-year horizon.

In contrast, I8 was the only expert to anticipate a more restrained growth development. While ELTIFs were predicted to still be "reissued in five to ten years" (I8), there would be no "ELTIF boom" (I8). The young generations "prefer ease" (I8), with ELTIFs only being the second or third product of choice.

Based on the experts' opinions on the future market adoption as well as the existing secondary data provided in *chapter 2.4*, three different scenarios (S1, S2, S3) have been derived (Table 5). These scenarios attempt to forecast the potential development of the ELTIF market volume in the mid- to long-term future. Since the available secondary historical data ends in 2023, the forecast commences in 2024 and covers 10 years ending in 2033 (Appendix 2: Scenario Forecast).

S1 is based on I8's mentioned statement, predicting a rather steady growth, instead of a period of "boom". Hence, the model assumed the lowest absolute year-over-year change in the past (2.3 billion € in 2023) as the linear growth assumption until 2033 (Table 5). Consequently, this scenario depicts a future where the growth in ELTIF market volume does not exceed growth prior to ELTIF 2.0. The volume in this scenario could reach an amount of up to 36,6 billion € in assets in 2033 (Figure 5).

S2 and S3 were split into two growth stages: a linear growth stage until 2028 and an exponential growth stage from 2029 until 2033 (Table 5). These stages were derived from I2, I3 and I11's predictions for markets experiencing exponential growth in the mid-term. In the exponential growth phases of both scenarios, growth was assumed to continue at the percentage year-over-year growth in 2028, the last year of linear growth.

The linear growth stage in S2 assumed an increase of 3,12 billion € per year, which is the average absolute year-over-year growth from 2021 until 2023 (Table 5). The second growth stage expected an annual growth of 11,96%, which would result in a total market volume of 51,38 billion € in 2033 (Figure 5).

S3 anticipated a linear growth of 3,95 billion € over the first 5 years, which depicts the highest year-over-year absolute change in the past data (Table 5). The exponential growth stage from

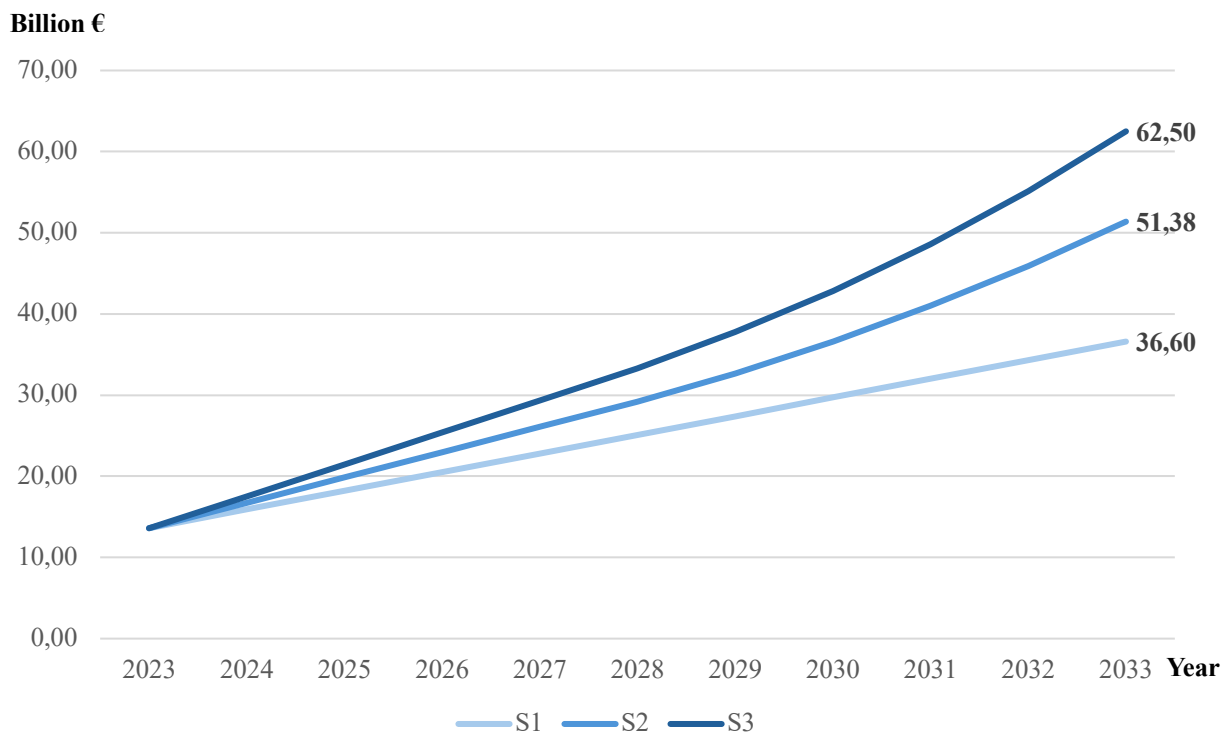
2028 until 2033, assumed an annual growth rate of 13,42%, which would result in an ultimate market volume of 62,50 billion € (Figure 5).

Table 5: Growth scenario assumptions

Scenarios	Linear Growth (in YoY absolute change)	Exponential Growth (in YoY change in %)
<i>S1</i>	<i>2,3bn € p.a. (2024-2033)</i> (lowest value in 2021-2023)	-
<i>S2</i>	<i>3,12bn € p.a. (2024-2028)</i> (average value in 2021-2023)	<i>11,96% p.a. (2029-2033)</i> (value in 2028)
<i>S3</i>	<i>3,94bn € p.a. (2024-2028)</i> (highest value in 2021-2023)	<i>13,42% p.a. (2029-2033)</i> (value in 2028)

Figure 5 illustrates the overall forecasted developments of the ELTIF market volume from today's available data until 2033. In S3, the market could hold 25,9 billion € more in volume than in S1 and 11,12 billion € more than in S2. Over the ten years, the markets would grow 169,1% (S1), 277,8% (S2) or 359,6% (S3), respectively.

Figure 5: ELTIF volume forecast until 2033



5. Discussion

This chapter integrates the study's empirical findings with the existing academic literature to draw relevant conclusions and practical implications. Thus, the discussion first critically reflects on the consistency of the results with literature on illiquidity premium (*chapter 2.5*), deregulation effects (*chapter 2.6*) and financial innovation (*chapter 2.7*). Then, based on the study's findings, specific strategic actions were derived for each stakeholder. Lastly, study limitations were identified and potential topics for future research were highlighted.

5.1 Effects of Deregulation

Several issued statements by I1, I2, I4 and I6A regarding ELTIF 2.0's potential to stimulate economic growth all align with the findings of research on the effects of the IBBEA deregulations in the United States. I4 predicted ELTIFs would make "a positive contribution to the European economies", which generally aligns with the research of Berger et al. (2020), Berger et al. (2021) and Dang et al. (2022), who all found the IBBEA to have a significant positive impact on the economic growth. I1 and I6A highlighted that ELTIF-related economic capital inflows would lead to "innovation, labor, economic growth and jobs" (I1). The statements closely match the study of Bai et al. (2018) that found deregulation led to significant increases in relative employment. I3 stated that one of the ELTIF's big advantages is the "simplified access" of financing for private companies, which is an evidence effect of deregulation in the case of the IBBEA and SMEs (Cornaggia et al., 2015). I2 mentioned that ELTIFs could lead FIs to offer "new financial products", which generally aligns with the studies of Berger et al. (2020) and Dang et al. (2022), who evidenced a connection between deregulation and innovation.

Despite the many conformities, experts emphasized reputational risks as an inherent consequence of the deregulation. While Jiang et al. (2020) found that deregulation reduced corporate risk, interviewees warned that ELTIF 2.0's relaxed environment could attract low-quality or fraudulent providers, creating systemic risks for all stakeholders included. This illustrates a contrast in the effects of financial deregulation: on the one hand, it promotes market growth, on the other hand, it jeopardizes long-term confidence, an aspect that was neglected in the IBBEA studies.

5.2 Financial Innovation

The introduction of ELTIF 2.0 draws several parallels to the impact of financial innovations in the past. Similar to TDFs, which enabled RIs to achieve more stable returns and improved portfolio management (Parker et al., 2023), ELTIFs decrease RIs' portfolio volatility (I1, I3, I5, I9, I10, I11) and mitigate the risks for inexperienced investors "because they can't simply liquidate" (I1). TDFs, however, strongly influenced RIs' trading behaviors towards macro-contrarian approaches, which curbed tendencies towards momentum investing (Parker et al., 2023). Such a fundamental change in investing behavior was not found in any of the experts' answers. Besides this, in contrast to TDFs, which rely on automated rebalancing and require little effort, experts highly emphasized the leverage of active investor education as a main factor of ELTIFs' success (I2, I4, I7, I8, I9, I10, I11). This finding is generally consistent with Nazir et al.'s (2021) argument that the positive impact of financial innovation on economic growth depends on regulators' adjustments to policy frameworks, such as educational aspects. The results of Akcigit & Kerr (2018) and Granja & Moreira (2023) linked financial innovation to increased competition, partly aligning with this study's findings. While experts mentioned possible product evolvments towards "multi-asset" (I10) products, availability "on any distributor's product shelf" (I5) and direct ELTIF bookings "directly via their online broker or their bank" (I4), an increase in competition was not perceived until the present moment. Most of the experts agreed on a very "friendly and cooperative" (I11) environment among competitors, where the "cake is big enough for everyone" (I1). This leads to a market where competitors "collaborate and pitch together" (I1), with real competition being "currently far off the moment" (I9). As such, this study reveals a clear divergence between the theoretical expectation of heightened competition driven by financial innovation and the experts' perception of a collaborative, low-competition market environment.

5.3 Illiquidity Premium

The current findings on the dimension of illiquidity premiums are generally reflected in the experts' statements about ELTIFs' outstanding return potential of 12-18% net returns (I1, I5, I6B, I10) (Amihud & Mendelson, 1986; Hsieh & Nguyen, 2021). However, interviewees added critical caveats absent in prior literature. Firstly, I1, I3, I9 and I11 emphasized the manager-dependency of the premium where only "the top 25%, the asset managers, really have this out-performance" (I1). This implies that most investors may not fully realize any premium from

ELTIFs. Secondly, I8, I9 and I10 suggested negative impacts of external market factors such as the high current interest rates on ELTIF returns. This sensitivity to prevailing market conditions has not been sufficiently addressed in prior studies. Lastly, experts have highlighted a possible increase in operational costs, which could offset the illiquidity premium. The higher number of investors compared to institutional funds increases demands for IT infrastructure and adds a layer of complexity to processes (I2, I3, I8). A general erosion of the premium due to higher cost from more investors was not reflected in the literature. Despite the general optimism among experts regarding future returns, the findings of Gruener & Marburger (2022) caution that RIs need to expect the ELTIFs' illiquidity premium to decrease and even underperform over time. It is interesting to note that none of the experts mentioned this aspect. This could be either due to a lack of awareness or due to the omission of a finding that would call into question the unique selling point of this product. The semi-liquid structure of ELTIFs may lead to an even more eroding effect, as it reduces the funds' illiquidity.

5.4 Strategic Actions

The exploration of future opportunities, risks and market adoption raises the question of what strategic actions market players can take to successfully navigate the market. Based on the experts' provided information in *chapter 4*, a proposal of such actions was elaborated (Table 6). The purpose of these proposals is to provide valuable guidelines for leveraging the market's opportunities while minimizing its risks.

In the context of FIs, a primary strategic action is the development of educational programs tailored to RIs. For example, fund providers and brokers could require the completion of online educational courses before proceeding with an investment. These courses should focus on building understanding of some of the illiquid asset's vital attributes, such as the long-term commitment, liquidity constraints and potential risk of not harnessing an illiquidity premium. By implementing such measures, FIs' risk of receiving complaints from uneducated investors and thus reputational damage can be minimized. At the same time, providers could build a positive reputation for their customer-centricity and trustworthiness. Another important strategic action for FIs is to make efficient investments in a robust internal IT and operational system. As mentioned in *chapter 4.2*, RIs demand a transparent portfolio overview, up-to-date valuations and convenient software applications. Hence, the development of a customer-centric solution could offer ELTIF-providers a significant competitive advantage. To ensure a

successful outcome, the development process must be highly efficient to minimize the risk of increased fund costs, which could reduce investors' liquidity premium.

RIs primarily benefit from ELTIF 2.0 by optimizing their portfolios' risk-reward ratio (*chapter 4.3*), while the primary risks stem from improper product selection or misplaced expectations due to a lack of financial education (*chapter 4.4*). To ensure a successful ELTIF investment, RIs should consider leveraging independent education and advisory services. One option is to hire a fee-only advisor, who can assess an investor's portfolio and liquidity needs and based on that, recommend the best-suited ELTIF. This method, however, is expensive and requires RIs to place trust of sensitive data in a third party. A more affordable option to RIs is self-dependent individual education through books, online platforms, podcasts, or videos. In the future, there may be ELTIF-specialized educational platforms for investors to seek information. However, these options require a significant time investment. It is also advisable for inexperienced RIs to initially adopt a conservative investment approach. This can be achieved by reducing the initial investment amount and gaining familiarity with asset illiquidity. Furthermore, it is recommended to diversify across different funds, illiquid asset classes and regions to mitigate cluster risks and market crashes.

For regulators, opportunities of ELTIF 2.0 focus on the development of a pension-enhancing pan-European funding structure (*chapter 4.5*), while main risks include fraud and intransparent valuation processes (*chapter 4.6*). Therefore, strategic actions should prioritize customer-protective measures, mitigating the main risks, while ensuring a capital inflow into the markets. One such action could be launching counter-fraud initiatives, such as an easy-to-use website with transparent information on all registered ELTIFs, including their historic fund performance, fees, and managers. Additionally, regulators could impose severe penalties on misleading marketing campaigns, such as return comparisons between ELTIFs and ETFs that fail to disclose the significant risks involved. To encourage capital inflow, regulators should consider implementing tax incentives within national frameworks, such as tax-free profits after a certain holding period or the possibility of writing off infrastructure investments from income tax.

Table 6: Opportunities, risks and strategic actions

Stakeholder	Opportunities	Risks	Strategic Actions
<i>FIs</i>	<ul style="list-style-type: none"> • Tap into a new pan-EU retail segment with low-volatility AUM growth (due to illiquidity) • Expand product portfolio (retail & alternative assets) • Cross-border scalability through passporting and the global market trend • Upsell other products via new distribution partners • Enhance internal liquidity management with predictable, semi-liquid funds 	<ul style="list-style-type: none"> • Reputational damage from liquidity mismatches or unmet redemption promises • Erosion of illiquidity premium due to higher operational and opportunity costs (IT, training, regulatory compliance) • Investor miseducation leading to complaints or bad press • Complexity of semi-liquid fund structures under market stress • Complex legal and image implications due to pan-European distribution 	<ul style="list-style-type: none"> • Development of RI-tailored educational programs, i.e., mandatory online courses covering key aspects like long-term commitment, liquidity constraints, and risk-return trade-offs • Investments in robust IT and operational systems to offer transparent portfolio overviews, up-to-date valuations, and user-friendly applications
<i>RIs</i>	<ul style="list-style-type: none"> • Access to private markets for better diversification across asset classes and the liquid-illiquid spectrum • Smoother portfolio experience via quarterly valuations and reduced short-term volatility • Strong returns with potential illiquidity premium • Exposure to new asset classes and family-office style portfolios 	<ul style="list-style-type: none"> • Inadequate financial education leading to unrealistic return or liquidity expectations • Frustration from semi-liquid structures (lock-ups, advance-notice withdrawals) • Risk of choosing underperforming funds or managers (only top quartile outperforms) • Vulnerability to market, geopolitical, currency and interest-rate shocks 	<ul style="list-style-type: none"> • Leverage independent education or advisory services (e.g., fee-only advisors or self-education) • Adopt a conservative investing approach at entry (small initial investment, diversify across funds and asset classes)
<i>Regulators</i>	<ul style="list-style-type: none"> • Mobilize retail capital to bridge pension gaps and underfunded infrastructure/private-comp any financing • Reinforce the EU's brand as an innovative, capital-market leader • Support job creation, innovation and economic growth via private funding • Improve regulatory reputation after ELTIF 1.0's slow uptake 	<ul style="list-style-type: none"> • Over- or under-regulation could stifle product development and fund flows • Market entry of poor-quality or fraudulent providers undermines ELTIF's credibility • Administrative overload in valuing and auditing illiquid assets at scale • Lasting reputational risk for the EU if oversight fails • Regulatory complexity deterring both issuers and investors 	<ul style="list-style-type: none"> • Launch counter-fraud and transparency initiatives (e.g., public database with key fund info) • Enforce stricter rules against misleading marketing (e.g., penalties for flawed return comparisons) • Promote capital inflow via national tax incentives (e.g., tax-free gains after holding periods or infrastructure investment deductions)

Table 6 shows that all three stakeholders can choose from a variety of strategies for leveraging opportunities and mitigating risk. By fostering collaboration and alignment, this framework can create a more resilient and sustainable ELTIF ecosystem.

5.5 Limitations and Future Research

The findings of this thesis are limited in several ways. Firstly, given that the primary data stems from a collection of interviewees involved in the EU's financial industries, the group exhibits a certain degree of homogeneity. Consequently, there is a possibility of selection bias within the data. Secondly, interviewees' answers might be biased, as all involved stakeholders would benefit monetarily from a further adoption and higher distribution of ELTIF products. As a result, participants might have provided overly optimistic answers, consciously or subconsciously downplaying further criticism and risks in a way to promote ELTIFs. Finally, the scenario analysis conducted in *chapter 4.7* could be based on an insufficient amount of historical data to reliably predict a future trajectory in market volume, particularly since post-ELTIF data was not included in the time frame.

Future research should address these limitations by expanding the sample size to improve statistical reliability and representativeness. A quantitative research approach may be considered. Additionally, involving a broader range of stakeholders, such as diverse types of asset managers or participants from more EU countries, could help provide more comprehensive insights.

As the results of this study suggested, the risk of an illiquidity mismatch poses a serious concern to all examined stakeholders. Hence, future research could further investigate the structural causes and potential solutions to liquidity mismatches in ELTIFs. The development of an ELTIF-specific liquidity structure, which ensures maximum protection for RIs while preserving established private market structures, is just one proposal to address this risk. In addition, the ELTIF investment returns will be able to be analyzed in a few years, as the first investments are liquidated. This could be achieved by examining factors such as volatility, illiquidity premium, correlation with public markets, and investor satisfaction. The objective is to validate or disprove the findings of this qualitative study.

6. Conclusion

The inauguration of ELTIF 2.0 in 2024 brought a groundbreaking disruption to the EU's efforts of democratizing private equity to retail investors and supplying the European SMEs and infrastructure with an alternative funding source. This study systematically identified potential future opportunities, risks and growth potential arising from the paradigm shift. The results exposed valuable insights into its implications for RIs, FIs and regulators.

RIs will be able to further diversify their capital allocations and thus minimize their portfolios' volatility. At the same time, they are offered the chance of yielding higher returns through the assets' inherent illiquidity premium. However, risks include mismatched liquidity expectations, lack of financial literacy, and potential underperformance due to poor fund selection.

FIs gain access to a new revenue stream, stable AUM growth, and cross-border scalability. Yet, reputational risks from liquidity mismanagement, operational complexity, and cost pressures threaten profitability and thus the assets' unique selling point of an illiquidity premium.

Regulators can bolster EU economic competitiveness, fund critical infrastructure, and strengthen retirement systems. Risks involve the over- or underregulation of certain fields, fraudulent products, and valuation challenges.

ELTIFs are poised for rapid growth in the mid to long-term future. The scenario analysis projected market volumes from 36,6 billion € to 62,5 billion €. The extent of the market growth depends on a variety of factors. Accelerators could be the balanced alignments between deregulation and investor safeguards, the absence of fraudulent offers and bad press headlines, as well as an innovative development towards more retail-focused products such as multi-asset funds. Experts anticipated that ELTIFs would reach a proportion of 10-20% of retail portfolios as the general accessibility improves.

Several practical implications can be concluded from the results of this study for all three stakeholders. FIs must prioritize developing educational initiatives, building robust liquidity frameworks and investing in IT systems. RIs with little experience should consider relying on the advice of independent experts and leverage their ability to acquire knowledge autonomously. Regulators need to ensure the implementation of more fund transparency and centralized informational websites.

ELTIF 2.0 has a realistic chance to sustainably transform the European investing landscape. It grants more funding opportunities to private companies and an easy way of compounding wealth through higher returns for RIs. The EU can capitalize on improved global competitiveness and higher economic growth while repairing a tarnished reputation. Even

though challenges still exist, stakeholders should work collaboratively on an environment that unlocks ELTIFs' full potential and benefits everyone involved. Future research should examine the quantitative post-ELTIF 2.0 effects in returns, portfolio allocations and market volume, once data becomes available.

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Appendix

Appendix 1: Data Structure

First Order Concepts	Second-Order Themes	Aggregate Dimensions
<p>"Roughly speaking, the greatest opportunities lie in the democratization of private assets. Here, an asset manager can tap into a more stable asset base that fluctuates less due to the lower volatility. With the exception of open-ended ELTIFs, clients are generally tied to the income for a very, very long time, in the case of closed-end funds until the end of the term. This gives them greater predictability of the assets." (I11)</p>	<p>Improved plannability due to fewer liquidity fluctuations in closed-ended fund structure</p>	<p>I. Opportunities for Financial Institutions: Harnessing a low-volatile AUM growth by tapping into a new EU-wide customer segment</p>
<p>"With closed-end funds, you have the fund term. Of course, you know that customers are in the fund for such a long time. So I think the predictability is much higher compared to open-ended liquid funds." (I11)</p>		
<p>"Yes, the first major advantage, [...], is simply the opportunity to make a much broader market accessible with our expertise in the private markets sector. In other words, this is of course also a huge growth potential that we see. Basically, this goes hand in hand with the megatrend of the democratization of private markets, which we see globally [...]" (I10)</p>	<p>Expansion into a high-growth customer segment in a globally expanding market</p>	
<p>"[...] we have a completely new target group. In other words, institutional clients who are very strongly driven by regulation, who react very strongly to capital market situations and who already have a large number of private market investments today. A target group of private clients who currently have less than 1% of their assets invested in Germany." (I9)</p>		
<p>"So what does that mean for us? Having a completely new sales channel, of course, which in principle can be just as big as the business we already have today. That is immense." (I9)</p>		
<p>"I would say diversifying the client base. Being able to reach retail investors is a big opportunity for them to really expand the ELTIF brand and make it huge." (I6A)</p>		
<p>"So I think one thing is that you can of course address a much larger customer group." (I2)</p>		
<p>"Well, for the fund providers and investment companies themselves, I think the big advantage is simply being able to open up a very, very broad field of new investors alongside their professional investors, with whom they were previously not represented at all, so to speak." (I7)</p>		

<p>"That means it's definitely a larger market that we can cover, but still not all investors who also invest in the stock market. But I think that's the first thing. So tapping into a new market, tapping into new customer groups, that helps us too, of course." (I2)</p>		
<p>"So, we are talking to very large U.S. banks, asset managers and also globally. I told you I'm in Singapore right now. Even the asset managers here are interested in the European market, because it's exciting." (I3)</p>		
<p>"Specifically, the fact that the ELTIF now has a European structure that can be transported very easily. Our ELTIFs are all issued in Luxembourg and the fact that we can simply distribute them in all European markets without any problems is a great relief compared to the past, when you had to register the consequences in every country and talk to the regulator." (I10)</p>	<p>Easier cross-border product distribution through passporting</p>	
<p>"So, ELTIF is the only label that enables alternative investment funds to be distributed to retail investors everywhere in Europe. So, the, you know, the European passport. So, that's really the biggest advantage for asset managers, I would say." (I6A)</p>		
<p>"And there is always passporting, [...]. And it used to be the case that even if I now have a fund [...] it may only be displayed in Germany. In other words, I can passport everywhere, I can open securities accounts everywhere, but I can't sell the fund. And now I can sell it everywhere through ELTIF." (I3)</p>		
<p>"For one thing, you can expand your offering enormously. [...] And now we have an extremely large supply. That means we have a lot of variety and can really take the best [products]. [...] In other words, we have a huge range from which we can choose what we offer our customers." (I3)</p>	<p>Higher product variety leads to better product-client fit and expansion of sales</p>	
<p>"I also think it opens up the opportunity to compete with ETFs in a positive sense. So that you can say, okay, hello, there's also this ELTIF." (I8)</p>	<p>partnerships</p>	
<p>"[...] the big players, who of course also have other fund products in addition to the ELTIF, can also spread their own risk a little. They can also say, hey, we've got the ELTIF now, let's try it out. So they can also broaden their own horizons a bit." (I8)</p>		
<p>"For partnerships, it is also worthwhile that we can only expand our sales partnerships as a result and perhaps also offer other products through these partners in the long term." (I1)</p>		
<p>"Of course, having a completely new sales channel that can, in principle, be just as big as the business we already have today. That is immense. [...] And if, [...] we only have one [ELTIF] that becomes just like an average real estate fund, then we have definitely gained something completely new, which is also generally more expensive, but also offers higher returns if you do it right." (I9)</p>	<p>Driving AUM growth by unlocking new investor segments and capital pools</p>	
<p>"The ELTIF enables asset managers to find new pools of money." (I5)</p>		
<p>"So an opportunity is higher assets under management. As soon as you develop more customers, you have new customers that you can activate and then invest in the ELTIF." (I2)</p>		

<p>"I think every fund manager first wants to collect AUM, i.e. get as many assets as possible to one investor. We have now done private markets and ELTIFs practically give us access to a much wider range of investors that we would otherwise not have been able to attract. [...] This means that the target spectrum of investors is much more limited and the ability to distribute a private market from as little as 10,000€ or less naturally opens up access to significantly more investors, which naturally leads to an increase in the capital raised. The one KPI that top management will ask is: how much have we raised?" (I1)</p>		
<p>"This means that we are in business, we do business, we want to increase AUM and of course an ELTIF also has many side effects." (I1)</p>		
<p>"[...] the biggest opportunity is to broaden the investor base in private asset products. And the need for that is evident because if you look at the growth of private assets that happened over the last years it's quite phenomenal and it has seen relatively high growth rates." (I5)</p>		
<p>[...] and was not properly informed, for example, that he cannot sell at any time as with a liquid fund. And that could lead to the customer being irritated, for example, because they feel they have been given the wrong advice [...]. Education is therefore an important point. (I11)</p>	<p>Misinformed investors leading to liquidity misconceptions</p>	<p>II. Risks for Financial Institutions: Facing reputational risks due to liquidity mismatches and the erosion of the illiquidity premium driven by elevated costs</p>
<p>"An ELTIF or these liquid funds, if they have over 1000 different retail investors. [...] The problems, the conversations, so simply this mindset and also what the asset managers sometimes have to do in terms of [...] training work, education, that's a completely different topic when you compare the private investor with a professional investor." (I8)</p>		
<p>"A major challenge for us, but certainly also for many more asset managers in the market who have not previously had any private markets products in their product range, is to provide investors and potential investors with sufficient information about what they are investing in, the risks, opportunities, the interrelationships and also the challenges over the years. With regard to the liquidity that can be provided there, in the fund." (I4)</p>		
<p>"I very much hope that there will be much better education there and that investors will be clearly informed that higher expected returns are also accompanied by a higher capital commitment and a longer capital commitment and reduced liquidity." (I4)</p>		
<p>"Here, sales staff really have to make sure that no false expectations are placed on liquidity. So I can't liquidate overnight and get out of the fund." (I1)</p>		
<p>"And if this is not adhered to by sales, bad press can arise very quickly, with the press then writing that thousands of providers were promised private equity returns and they can't get out of the fund." (I1)</p>	<p>Reputational and legal risks through intransparent</p>	
<p>"And that could, for example, lead to the customer being irritated, he feels he has been given the wrong advice, which gets into the press and ultimately leads to bad headlines and bad publicity." (I11)</p>		

<p>"For a group like us, where a wealth management company is also affiliated, the reputational risk is the highest. And the reputational risk is also determined by headline risks, for example if it is said that the customer was not made aware of the terms when the ELTIF 2.0 was sold." (I11)</p>	<p>distribution and bad quality products</p>	
<p>"What reputational damage and legal risks might this entail? Because here again we are simply dealing with a broader market. [...] And if you have the ELTIF and it has somehow been distributed by a banking network throughout the country or throughout Europe, then it has completely different legal and image implications." (I10)</p>		
<p>"Yes, well, I mean, what is always an issue in this area is of course the reputation of companies. [...] I see that as the biggest thing, that you have certain reputational risks if investments don't work out as they should." (I7)</p>		
<p>"And if this is not adhered to by sales, there can very quickly be bad press, with the press writing that thousands of providers were promised private equity returns and now they can't get out of the fund." (I1)</p>		
<p>"The biggest danger behind this and then the second is poor quality. You can see that more and more providers are coming onto the market, and of course they are promising private equity returns. You have to make sure that the quality is right, because otherwise, if the press finds out that there has been a bit of shenanigans, or products that have been sold that don't meet the quality standard and are illiquid, it can of course have a bit of a domino effect." (I1)</p>		
<p>"It's very different when you have to work with so many people. And then the products are usually worse. Because you have less experience and because you have to deal with more liquidity, only have ops and have poorer total expense ratios. And I think that's where you can ruin the asset class a bit. Not destroy the asset class, but at least destroy ELTIF funds, because they are then put in a bad light due to high expense ratios and that actually no longer has any added value. The good thing about access to illiquid or semi-liquid investments is that you have an illiquidity premium. And because of the illiquidity premium, you should actually outperform with private equity and public equity, for example, at least that's been the case for the last decade." (I3)</p>	<p>High operational and opportunity costs could erase illiquidity premium</p>	
<p>"You also don't have the capacity to always automate everything directly because it's just a new product and a new process that you've launched, so you simply have higher costs and more time required from individual employees to get this product live." (I2)</p>		
<p>"It definitely leads to greater complexity for us in the company itself because, as already mentioned, the processes are simply different [...]. [...] they are simply completely different, there is a different regulatory framework behind them that we have to take into account in every step that each of us takes. Which simply leads to complexity, and I think complexity is always a certain risk for a company, because you no longer</p>		

<p>have this focus on a product and on a process that everyone knows right away [...]. You always have to train new people, you know, it's not a given that it will work in the same way as the others." (I2)</p>		
<p>"So they will have difficulties there because the expectations, because simply the whole thing, the communication and also this mapping of the, I'll say software IT side, if you previously [...] with your 50 investors, you can still somehow control everything via an Excel or something, but if you then suddenly have thousands or another 500 plus private investors and everyone somehow wants to know every day how much money I can get out of you now." (I8)</p>		
<p>"Even if we now theoretically have the option of bringing the ticket size down further, we don't really see it as reasonable to set up an ELTIF as a super-wide retail product. [...] That there will definitely be problems at some point, especially in terms of liquidity, if there is a crash in the market and everyone wants their money back." (I10)</p>	<p>Poor liquidity management could lead to redemption issues in times of market crashes</p>	
<p>"I think the biggest risk with the ELTIF 2.0 regime, in my opinion, is the liquidity that can be built in. [...] Because for an asset manager it is a risk, because of course they can get into a situation where clients want their money back." (I10)</p>		
<p>"So always, if you're marketing your fund as open-ended, you have to make sure you're able to fulfil that promise to investors. Not mis-selling the product, so that's a big one." (I6A)</p>		
<p>"Like how much buffer do we really need to put into the fund in order to make to create a balance between the liquidity buffer in the fund and the potential needs of the investors once they want to liquidate the product?" (I5)</p>		
<p>"The effect is very simple. If you look at the story, for example, of the German Real Estate Fund that happened in 2008, is that despite it was not the original purpose of the product, a lot of institutional investors were in the funds. And once the liquidity became more tight in the market, they redeemed the real estate funds to the point where there was not enough liquidity buffer in the fund. So the fund promoters had to close the product because they couldn't meet the redemption." (I5)</p>		
<p>"But the challenge there is that usually the institutional investors are quicker to redeem, so it's usually the retail investors that are caught in the product." (I5)</p>		
<p>"That we don't run into situations like the one in the 2010s, for example, where open-ended real estate funds were suddenly misused by German investors as an overnight money alternative and at some point everyone wanted out overnight, which has since completely destroyed the asset class." (I4)</p>		
<p>"[...] also the advantages of the asset class itself, with the quarterly valuation of the assets we have, the addition of private equity or private debt will mean that the volatility of the overall portfolio is simply lower, especially in turbulent market phases." (I11)</p>	<p>The quarterly valuation necessitated by illiquidity and</p>	<p>III. Opportunities for Retail Investors: Expanded</p>

<p>"And it is simply, yes, an attractive addition to the portfolio, I would say, for performance reasons, but also for volatility reasons. You only have these quarterly valuations, which means it also flattens the volatility curve a little. Ideally, you have a longer-term investment horizon and, whether completely locked in or with the option of taking something out from time to time." (I10)</p>	<p>stable returns decrease portfolio volatility</p>	<p>access to private markets enhances diversification, decreases volatility and unlocks superior risk- adjusted returns</p>
<p>"[...] there is the stability when it comes to infrastructure, having regular cash flows that are not dependent on the stock market [...]." (I9)</p>		
<p>"Products like the ELTIF or general private asset products they promise to have less volatility and there is going to be more of a stable return and it's promising some yield on top of it." (I5)</p>		
<p>"[...] you also have the main characteristic, due to the illiquidity and the net asset value, which must be published quarterly according to ELTIF. So at least quarterly. You simply have fewer fluctuations in your portfolio." (I3)</p>		
<p>"Another advantage, from a psychological point of view, is the good volatility. [...] But yes, it simply looks nicer in the portfolio if I don't have continuous fluctuations, but rather a constant upward trend. A few inexperienced investors, I have to say, are also protected from themselves because they can't simply liquidate. [...] So you're practically guiding the investors to a bit of success through the restrictions they have." (I1)</p>		
<p>"The second major advantage is the outperformance of private markets compared to the public markets. [...] In the past, companies went public much earlier via IPOs and so on. Now they remain private for much longer and a much larger proportion of value creation takes place in this area." (I10)</p>	<p>Investments have a potential public market out- performance due to illiquidity premium</p>	
<p>"A private asset product is a long-term investment with excellent capital preservation features. In terms of the payoff profile, it is highly suitable for investors who do not require an immediate payout. These investors are willing to hold on to the investment for a long period of time, as long as it is safe and as long as there is an illiquidity premium attached to it." (I5)</p>		
<p>"Products like the ELTIF or general private asset products they promise to have less volatility and that's it's going to be more of a stable return and it's promising some yield on top of it." (I5)</p>		
<p>"Because the promotion of the products has been made with very high performance figures and I personally was shocked by some articles in the French press claiming 15-18% annually for the past 20 years or whatever." (I6B)</p>		
<p>"That is also the big driver for the retail investor, that I have potential, i.e. the potential to outperform the benchmarks. Traditionally, private equity simply performs well. And if you look around the market, the target figure for most ELTIFs is between 12 and 13% net, i.e. after deducting costs, which is certainly attractive for retail investors." (I1)</p>		

<p>"So the big goal of diversification is to achieve more return with the same risk or the same return with less risk. And you can only achieve that across asset classes." (I3)</p>	<p>Low correlation to public markets and a better risk-return profile lead to an improved diversification</p>	
<p>"Diversification is then the next biggest benefit for the client in that he can broaden his portfolio in many respects. So ultimately, if he already has a portfolio after the fund, the private equity fund will ultimately give him the diversification advantage on the liquid-illiquid axis." (I11)</p>		
<p>"[...] access to a much larger part of the market. So the number of companies listed on the stock exchange is a fraction of the number of privately managed companies, of private equity-managed companies. And the trend is rising." (I10)</p>		
<p>"Retail investors' equity portfolios are often highly concentrated since most ETFs now overweight the Magnificent Seven and other tech stocks." (I10)</p>		
<p>"The other factor is of course in terms of portfolio diversification. If for example you have an infrastructure fund the return profile is less correlated to public markets than if you buy like a tech stock for example." (I5)</p>		
<p>"Increase return, reduce risk. In my view, these are the main points. So you can diversify your portfolio more broadly and better." (I3)</p>		
<p>"And I think it's a huge opportunity for this client group to have the opportunity to simply diversify their portfolio. These are people who have already invested in stock markets, i.e. have covered everything that is liquid, but don't quite know how to invest in this illiquid area." (I2)</p>		
<p>"And then, of course, you also have access to many more companies. I think 87% of all companies worldwide with a turnover of over 100 million are privately owned. I don't have access to them via the stock exchange, so if I want to position myself a little more broadly here, it also gives me access to these investments." (I1)</p>	<p>Mere access to private markets expands retail investors' product selection</p>	
<p>"You should diversify a little. The correlation is also not always a given when equity markets fall and private markets, especially downsides and recessions in private markets, are often quite good compared to benchmarks, where the activist management of the fund managers is simply in charge. They find it a little easier to implement these decisions more quickly." (I1)</p>		
<p>"For example, that there may be a low correlation with public equity." (I7)</p>		
<p>"And the other thing, when it comes to private equity, is to have access to companies that are not listed on the stock exchange, because there are many more companies that are not listed on the stock exchange than those that are. And this also gives me access to new business models, even at an early stage." (I9)</p>		
<p>"So the huge advantage for private clients is being able to invest via ELTIFs in an area that was previously either completely reserved for institutional investors or very large retail investors, simply because of the minimum investment sizes and also the assets that were invested." (I7)</p>		

<p>"Getting access to, indeed, a new category of assets, a new asset class." (I6B)</p> <p>"In future, we will be able to offer all our customers, i.e. all existing customers, a genuine family office-like portfolio. [...] This is a huge asset for us, especially in sales, and simply a real added value for our customers." (I4)</p> <p>"In my view, the biggest opportunity is that almost everyone can now have a slice of this very, very tasty private equity pie." (I4)</p> <p>"And you have really exciting asset classes. They're the best for us. All our customers find them super cool, super easy to invest in and everyone knows them. But I personally think infrastructure is a mega, mega asset class." (I3)</p> <p>"That is the essence of the whole thing, that private investors gain access to new asset classes." (I9)</p>	<p>and inaugurates an elitarian investing experience</p>	
<p>"I don't believe that every manager who has an ELTIF 2.0 can achieve these returns. Therefore, I would not prioritize returns, also against the background of the customer experience." (I11)</p> <p>"If we enter a long-term phase with permanently higher interest rates, the valuations that have developed in the private equity market over the last 10 to 15 years may no longer be realistic. [...] Without attractive exit opportunities, unsustainable valuations and a lack of new capital inflows, this could ultimately lead to a crash in the private equity market. In my opinion, this scenario represents the greatest risk in this area." (I10)</p> <p>"Because manager selection makes a big difference, of course, and you've probably seen that in many presentations. When I do private equity, I think I've averaged 14-15% over the last 10-20 years. Some do 20% and some only do 9%." (I9)</p> <p>"[...] nothing is certain in this world, a lot depends on what happens in the market [...]" (I8)</p> <p>"[...] and then of course it goes into geopolitics, country risks, currency risks, which I include here, [...]" (I9)</p> <p>"[...] but you can't expect a miracle and say, yes, my ELTIF is going to go through the roof like bitcoins. So you always have a risk with this type of investment." (I8)</p> <p>"Yes, so I think one risk with private equity is that you have to be careful which management you work with, only this top quarter, i.e. the top 25%, the asset managers, really have this out-performance. Anything below that tends not to and the worst 25% or 50% are even negative. So manager selection really is essential in private equity." (I1)</p> <p>"And another risk, of course, is that you always have to look at the asset manager's long track record - can I rely on it? There are also some who somehow go in extremely leveraged in the private market sector." (I3)</p>	<p>Returns are unevenly distributed and dependent on fund managers' track records and market environments</p>	<p>IV. Risks for Retail Investors: Lack of education and experience could lead to poor returns and false redemption expectations</p>

<p>"So the biggest risk in reverse is simply a misunderstanding that the end customer does not have a sufficient or correct understanding of what they are actually doing. Both in terms of the investment horizon and the individual asset classes." (I10)</p>	<p>Insufficient education and investing experience could lead to poor product choices</p>	
<p>"And I think that's definitely a risk or a danger for these retail investors that they say, 'but I don't know too much about private equity and suddenly I realize that I won't get the first returns until year 6 and my money is locked up until year 12'. So now I just think this frustration, what is caused by too little education in the market? And that's just extremely difficult and can also, I think, be dangerous in the illiquid market, which is different from crypto or ETFs, where you can always sell again. But here you can't get out of it so easily. And I simply believe that this illiquidity can be a big risk and of course entail various emotions and various financial risks if you suddenly invest 10,000 euros and you actually need it." (I2)</p>		
<p>"Yes, choosing the wrong products, I'll say that for now." (I9)</p>		
<p>"But now, as I said, ELTIFs are adding a wide range of new, non-liquid assets that they may not yet have much experience with or that simply harbor certain risks that the client is not yet aware of. And there is of course a certain amount of risk involved." (I7)</p>		
<p>"Nevertheless, many retail investors [...] feel very, very well informed. In recent years, we have seen a great deal of communication about ETF investments and savings plans." (I4)</p>	<p>ELTIFs' semiliquid structure around illiquid assets could lead to a distortion of retail investors' redemption expectations</p>	
<p>"Liquidity, of course, that you need a longer period of time to liquidate the assets. I think I also see this as being somewhat difficult, especially with an open-ended ELTIF, where illiquid investments are once again packed into a semi-liquid vehicle." (I11)</p>		
<p>"In my opinion, the biggest risk with the ELTIF 2.0 regime is the liquidity that can be built in." (I10)</p>		
<p>"So the adviser doesn't tell them it's a closed product, but they have the option of giving back a little something within five per cent NAV after a two-year lock-up period and always with six months notice. The customer tells him, yes, it's a semi-liquid product, if anything happens, you can give it back. And I think that's a big risk." (I10)</p>		
<p>"And because they are retail investors, you want to make sure they can get out of the fund quite regularly. So that means you're creating kind of a hybrid instrument. So a fund that is investing in highly illiquid investments. That means that normally you would expect that the fund should hold to maturity the investment to get the return. But at the same time, they are promising retail investors they can get out quite regularly because that's how they are, you know, with the UCITS, the retail investors are really used to UCITS brand and they're really used to, okay, I can invest and then I can get out. They are not used to investing where they are locked for eight to 10 years, for example. And the problem with that is that you really have to manage your liquidity." (I6A)</p>		

<p>"More specifically, beyond liquidity, leverage, of course, is an issue also for us, particularly when it comes to piling up leverage." (I6B)</p>		
<p>"So then you go into a liquidation process where over time, the fund is selling the illiquid assets it holds and then gives back the money to the investors. But the challenge there is that usually the institutional investors are quicker to redeem, so it's usually the retail investors that are caught in the product." (I5)</p>		
<p>"However, there is no guarantee that I will always be able to get 100% of my money back at any time. There simply isn't. Retail investors in particular, who have not previously invested in the system, need to be aware of this risk. Yes, otherwise there will initially be problems at the investor level, but at some point this will become a problem for the entire industry." (I4)</p>		
<p>"For example, it can happen for whatever reason, because usually several people drop out, which means that things get worse economically, I may not get out this month, I may not get out the next month and that can very quickly lead to frustration and also again to false expectations of the fund. So liquidity, you see, that really is the biggest danger from my point of view." (I1)</p>		
<p>"Let's say I was tempted by the great returns, because something told me 15% in some cases and I say I'm going to park 30%, 40% of my assets here and go into fairly liquid products, for example, which I can sell quarterly, and I didn't take into account that I often have a lock-up period first, then I have to pay for six months of an application to sell my shares, then I might not get out at all and I need the liquidity." (I1)</p>		
<p>"So I just think they want to finally live up to their positive image and I don't think there are any major obstacles in the way." (I8)</p>	<p>Restoring the reputation after ELTIF 1.0 by building an EU-strengthening investment brand</p>	<p>V. Opportunities for Regulators: Bridging gaps in private market funding and retirement savings through retail capital participation</p>
<p>"[...] that is also in the name, this European, i.e. a European Long Term Investment. So it's also supposed to be a European product somehow, which is also supposed to strengthen Europe again." (I8)</p>		
<p>"I think, indeed, the brand, the notion of getting a European brand is something that is attractive, too. I mean, like it was for UCITS. And I would say the most compelling is the interest that has already been expressed by the industry. I mean, the fact that ELTIF 1 was clearly not... blatant success." (I6B)</p>		
<p>"So I am convinced that the retention of the ELTIF regime definitely encourages the provision of funds to infrastructure projects in the EU. I believe that this is definitely the case simply because of the asset class that we are really dealing with primary investments as a rule. Unlike on the stock markets, which are simply secondary markets per se, where the shares are exchanged, so to speak, but the money has actually already been invested." (I11)</p>	<p>Bridging critical funding gap for infrastructure maintenance and construction</p>	
<p>"If you look at the numbers that have been recently published around, I think, Germany, again, as an example, on how much money they will need to basically upgrade their infrastructure, be it roads, be it railways and so on and so forth. It's just an incredible amount of money that cannot be tax financed. So there's an interest in national governments as well to find new sources of funding." (I5)</p>		

<p>"Germany's capital is not even enough to maintain the status quo, the infrastructure as it is right now. That's why more private capital is needed. In other words, the motivation is simply matchmaking between private capital, i.e. from small investors, and companies or projects seeking capital." (I3)</p>		
<p>"What could be realistic, however, is that a certain amount of additional financing can be found, at least at international level, particularly in the area of infrastructure." (I10)</p>		
<p>"And I think that's also very important for the end investor these days. Especially with regard to retirement provision, for example. Yes, that's something that I think could be marketed much better. It's already being done in some countries with preferential tax treatment and so on. For ELTIFs that are used in pension products." (I10)</p>	<p>Enhancing retirement security by fostering wealth accumulation among citizens</p>	
<p>"So, of course, a major issue for the state is probably how citizens close the pension gap, so to speak, especially at retirement age. And that's probably why private pension provision is an area that is becoming increasingly important. And if citizens naturally have the opportunity to invest money in even more diverse ways with high returns and also in alternative asset classes, that is certainly an advantage for the state and citizens." (I7)</p>		
<p>"So ELTIF is a great opportunity for that so allocating more capital towards companies that need it and if you are increasing retail participation, you're increasing the flows obviously." (I6A)</p>	<p>Amplifying the EU's economic ecosystem through increased retail capital participation</p>	
<p>"That's because of the lessons out of the financial crisis in 2008 in particular, there is a little bit of a de-risk in the banking sector, meaning the capital restrictions that you have on the banking side are quite significant now. Which also leads to the fact that you need more financing coming from other areas. And a product like the ELTIF will help to steer some of the funding away from the banks more towards private investors." (I5)</p>		
<p>"Hopefully this will also make a positive contribution to the European economies." (I4)</p>		
<p>"Well, in my view, the main motivation is clearly the strengthening of the capital markets union as the big headline and the promotion of illiquid and semi-liquid target investments. [...] And it simplifies the money, i.e. simplifies access from private capital to private listed companies, i.e. private companies, i.e. VC, private equity, etc., so the thrust is simply simplified access." (I3)</p>		
<p>"And I believe that ultimately it is an opportunity for the entire financial market to take a step forward with the help of the EU and BaFin and to offer others and people new, new financial products." (I2)</p>		
<p>"So I think it was also announced that they want to strengthen the private financing of the European economic area, and of course the hope is to create innovation, labor, economic growth and jobs." (I1)</p>		
<p>"The other risk, I believe, on the asset manager side is that this simplification and the market potential that I have described with this democratization could simply attract many providers, and I believe it will, who actually have no real expertise in this area and then bring poorer or too expensive products onto the market and cause bad publicity." (I10)</p>	<p>Insufficient regulatory restrictions may attract fraudulent providers with</p>	<p>VI. Risks for Regulators: Weak regulatory integrity could incentivize fraudulent</p>

<p>"And then last but not least, there's always the element of fraud that can happen. So if you have large projects funded with retail money and they go under. Then it will have a negative impact on the reputation of the product overall. Which is less of an issue for institutional investors because, as I said, it's part of the risk management to take care of it. But if you have a massive ELTIF product that will go under in the market, that would be depressed immediately. And it's, of course, a negative risk for regulators and governments alike." (I5)</p>	<p>poor products which would sustainably damage ELTIFs' reputation and erode investors' trust</p>	<p>products, limit market demand and overwhelm authorities</p>
<p>"It's always that people take advantage. There is always the risk that money will somehow be thrown at bad projects and bad people. So I believe that there is a risk that many people take advantage of the framework and then offer products that could not actually have been offered in Germany. For example, in Germany or in the respective countries. That's just according to the regulations, which works, but then no longer has to go through the regional advertising procedure. I believe that there is a lot of jamming on the market because it is just easier. In my view, that is a risk." (I3)</p>		
<p>"Yes, I think the biggest risk is that many players in the market. These rules, which somehow still have room for interpretation, that in the end they exploit this and bring it to the market without really being responsible for their customers. And I think that's why they are still so strict in their rules. And I think it's important for them to find this balance. But I would say that this is the biggest risk, that it is simply not used as it should be used and that the money then simply plays a bigger role than the responsibility that companies have for their customers." (I2)</p>		
<p>"And then, yes, the risk is probably also that many asset managers come onto the market with poor products, so that the press will be all over it, that would be the risk." (I1)</p>		
<p>"However, if it is too cumbersome or too risky for regulatory reasons - whether for the product manufacturer or the distributor - there is a major risk that there will be no suitable alternatives. This would not only hamper the development of ELTIF, but would also jeopardize the opportunity to participate in this megatrend." (I10)</p>	<p>Excessive or insufficient deregulation could limit market demand and thus adoption, which could potentially leading to a permanent failure of ELTIF vehicle</p>	
<p>"Of course, the first level is that the funding objectives are not met. And that's what we have seen with the ELTIF 1.0. That the products featured were too restrictive. That there's not enough interest in the market for it. And that would mean we're not able to source enough funding for the investment projects that are out there. But that's, of course, one of the risks overall." (I5)</p>		
<p>"But in the end, ELTIF1 never took off. To be honest, ELTIF2 is also still very restrained and slow. [...] And if it doesn't work out again now, then it would be hard to push through another ELTIF3, because then people would really run out of steam and say ELTIF1 was a flop, ELTIF2 was a flop, ELTIF3 was a flop, whether we always rush into it like that." (I1)</p>		
<p>"Yes, in my opinion, the risks from the regulator are that they have deregulated too much. [...] And then I think at the same time, as with ELTIF 1.0, there is also the risk of making it too complicated. [...] And</p>		

<p>whether you then simply end up creating a product that simply won't take on the role that it should actually take on." (I10)</p>		
<p>"So I think the risk for the EU is that ELTIF 2.0 could potentially be over-regulated, making the product unattractive again. So many rules have been relaxed, but there are also some rules that contradict the basic idea of ELTIF 2.0." (I4)</p>		
<p>"One issue, for example, is that with ELTIF 2.0 I can do investment brokerage for regulatory purposes. This is then also investment brokerage by definition. However, as with ELTIF 1.0, I still have to prepare declarations of suitability, which are actually only required for investment advice. And this is actually very challenging for product providers and operating centers, both operationally and in terms of the legal setup. And at this point, there is simply the risk that regulation could to a certain extent counteract this positive impetus that the EU wanted with ELTIF 2.0. That is a risk." (I4)</p>		
<p>"I don't know how to do it, for example, to determine a daily NAV, net asset value, of a property or a wind farm or something like that. Well, that's technically impossible, some figure is then obtained, something is obtained, the auditor will then make some kind of report. So my fear is that the regulators, they will reach their limits at some point. Whether they will do a fund audit or something like that, whether everything is really running properly or something like that, nobody knows at the moment." (I8)</p>	<p>Difficulty of accuracy and frequency of illiquid asset valuation could bring regulators to limits of comprehensibility</p>	
<p>"There's also a valuation risk, which we haven't touched. Which is a big one, because, for example, private equity, real estate, you cannot value your fund very regularly, but you're offering redemptions very regularly. So, for example, if you're allowing investors to go out of the fund once a week, you know that you can't value your real estate or your private equity funds on a weekly basis. It's quarterly at best, I would say. So, how do you manage that? How do you ensure your fund is valued at fair value?" (I6A)</p>		
<p>"But I believe that we will perhaps see an exponential development rather than a linear one and I could well imagine that in three or four years, sales figures will increase abruptly. [...] And only when there is a certain level of confidence in the processes will I believe that the volume of ELTIFs will also increase more strongly." (I11)</p>	<p>ELTIF adoption will continue slowly but develop an exponential growth in 3-10 years after first successful payouts and thus built trust</p>	<p>VII. Market Adoption: ELTIF distribution will surge exponentially in the mid- to long-term future, reaching a 10–20% portfolio allocation as retail accessibility improves</p>
<p>"So, I think there will still be ELTIFs and also ELTIFs that will be reissued in five to ten years, but I have to say I don't think there will be an ELTIF boom. [...] And when I think of the new generation, they just prefer easiness and I don't think that the ELTIF will be the product of first choice, maybe second or third." (I8)</p>		
<p>"So, I believe that they will continue to develop very strongly over the next few years. We've already had a relatively quiet period since the launch in 2015 but we've really seen a strong pick-up in interest in investing in ELTIFs over the last year or two, I would say." (I7)</p>		

<p>"And I believe that if we don't make too many mistakes in the next two or three years, if we take care of education, if few people burn their fingers, if we work to ensure that everyone understands this, if a framework is created in Germany that pays more attention to education and the players who only trigger this are screened out [...] there is huge potential. I don't think it will be as big as share investments." (I3)</p>			
<p>"I don't think it's something from today where we can suddenly hope for a huge boom. It's also a relatively tough business, of course, where people want to wait for that ten-year horizon to see if it really works." (I2)</p>			
<p>"The great thing is that the first distributions will be available to users in the next five years. That's when the first distributions will be distributed, at least for our ELTIF, so there will be a bit of movement in this market. [...] But I think it will only come later, as soon as people get their promised returns, that it will get a bit more momentum. So I think it will take a while for people to trust it." (I2)</p>			
<p>"But I would say 10 years plus, this is something where we should be going. That it becomes a common investment to have an ELTIF fund in your private portfolio." (I5)</p>			
<p>"So the industry is also spending a lot of money to slowly bring this expertise and knowledge to the market. So, if the products now also join in, which I hope they will, there will probably be significantly more ELTIFs in the portfolios in 10 years, which will take time. So you shouldn't be disappointed if it hasn't taken off in two years' time." (I1)</p>			
<p>"I believe there will be many more ELTIF products on the market than there are today." (I4)</p>			
<p>"In the next ten to 15 years, I would like to see the ELTIF become an integral part of a standard allocation for private clients. They could use it to supplement their assets, ideally as part of a long-term, tax-advantaged pension plan. That would be my wish, and I believe that we can achieve this goal. For me, this means an average allocation of around ten to 15 percent in this area." (I10)</p>	<p>The average portfolio will consist of 10-20% ELTIF-allocation with discrepancies due to individual preferences and liquidity needs</p>		
<p>"I assume that, at least in Germany, we will have somewhere in the region of a 10 percent share for private markets investments in mutual fund portfolios. [...] That's why I say that some will have 0 percent in their portfolio, others perhaps 20, maybe even more. From a portfolio optimization perspective, 20 percent is more likely to be the right figure." (I9)</p>			
<p>"Probably not as many will invest in private alternatives in percentage terms as in equities, but I believe that a large proportion of those who invest in private alternatives, certainly 75% of them, will also mix it in in the future." (I3)</p>			
<p>"And I believe that the ELTIF will certainly account for between 15 and 20 per cent of the capital preservation investments of Europeans in the long term." (I3)</p>			
<p>"That is now 10 to 20% from my point of view. Conservatively, you could perhaps say 10, because of the liquidity, which always depends on the individual. If I want to buy a house now in 5 years, then maybe not</p>			

<p>20%. But if I know, okay, I don't have any big purchases for the time being, you can go up a bit to 20%, then it always depends on the individual." (I1)</p>		
<p>"I would say that perhaps if we manage to get investors to understand the difference between private equity, private debt and infrastructure at some point, a multi-asset private asset product would make a lot of sense in my opinion. In other words, one where you have a product as a private bank and then simply say: 'Okay, every customer gets a slice that matches their assets booked into their custody account.' And then they automatically have their private debt allocation, their private equity allocation, their infrastructure, perhaps even their real estate allocation." (I10)</p>	<p>Future ELTIFs will evolve to become easily accessible and -tradable multi-asset funds or specialized funds</p>	
<p>"I think the desired scenario is that the ELTIF 2.0 will become a product that's available on any distributors' product shelf. So that you as the investor have a choice if you want to invest into public assets or private assets and that there's respective products available to you. [...] So that it's going to be as simple to buy a private asset or an ELTIF fund as it is to buy a UCITS fund today." (I5)</p>		
<p>"So we are currently seeing a very, very large number of launches in the infrastructure sector in Germany. Private equity is not yet such a big topic. I think it will become more diverse, just as you can see with ETFs, where more and more specialized ETFs have been launched in recent years. That is a hypothesis. I believe that in five years' time, ELTIF sales will no longer focus solely on the wealth management or private banking channel, but will also become increasingly accessible to retail investors, who will then be able to book the ELTIF they have found into their portfolio directly via their online broker or their bank. They can purchase it. And that they will still be able to trade ELTIFs, just like other open-ended fund products." (I4)</p>		

Appendix 2: Scenario Forecast

S1													
Year	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Volume in bn €	7,36	11,30	13,60	15,90	18,20	20,50	22,80	25,10	27,40	29,70	32,00	34,30	36,60
YoY change in %		53,53%	20,35%	16,91%	14,47%	12,64%	11,22%	10,09%	9,16%	8,39%	7,74%	7,19%	6,71%
YoY change in bn €		3,94	2,3	2,3	2,3	2,3	2,3	2,3	2,3	2,3	2,3	2,3	2,3

S2													
Year	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Volume in bn €	7,36	11,30	13,60	16,72	19,84	22,96	26,08	29,20	32,69	36,60	40,98	45,89	51,38
YoY change in %		53,53%	20,35%	22,94%	18,66%	15,73%	13,59%	11,96%	11,96%	11,96%	11,96%	11,96%	11,96%
YoY change in bn €		3,94	2,3	3,12	3,12	3,12	3,12	3,12	3,49	3,91	4,38	4,90	5,49

S3													
Year	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Volume in bn €	7,36	11,30	13,60	17,54	21,48	25,42	29,36	33,30	37,77	42,84	48,59	55,11	62,50
YoY change in %		53,53%	20,35%	28,97%	22,46%	18,34%	15,50%	13,42%	13,42%	13,42%	13,42%	13,42%	13,42%
YoY change in bn €		3,94	2,3	3,94	3,94	3,94	3,94	3,94	4,47	5,07	5,75	6,52	7,39