MANAGER RESEARCH | MARCH 2026

The State of ELTIFs 2026

Looking beyond the hype.

Table of Contents

Morningstar Manager Research

Mara Dobrescu, CFA
Senior Principal

Shannon Kirwin
Senior Principal

Francesco Paganelli, CFA
Principal

By the Numbers

Market Growth

- European long-term investment funds have continued to pick up steam, with **189 new products authorized since the start of 2024.** Around half of new fund launches have been in semiliquid, evergreen structures.
- Since January 2026, Morningstar analysts have conducted 46 interviews with asset managers and platforms to assess the ELTIF opportunity set for investors.
- In total, we count around **100 evergreen ELTIFs** with an estimated size of roughly **EUR 10 billion as of the end of 2025**. However, transparency remains a challenge, and many funds are only available via specific distribution channels.

New Entrants

- **Seventy-two new firms have obtained ELTIF authorizations since 2024**. The list includes traditional, diversified European asset managers, global private markets behemoths (such as Apollo, Blackstone, and Carlyle), and smaller, niche private asset specialists that are venturing into commingled products for the first time.

Availability & Adoption

- Platform availability for ELTIFs has improved over the past year, but **adoption by retail investors has been relatively slow to pick up**. One exception is found in environmental, social, and governance/impact strategies. For example, the Germany-domiciled KlimaVest ELTIF has almost tripled in assets over the past three years and is now Europe's largest ELTIF at EUR 1.76 billion.
- ELTIF distribution is still fragmented: **Currently, 29% of evergreen ELTIFs are only marketed in a single European country.**

Liquidity Mechanisms

- **ELTIF liquidity provisions are just starting to be tested in real-life scenarios**. 2025 saw the first gating of an evergreen ELTIF, when Greenman Open ELTIF, a direct property fund invested in German grocery store real estate, **suspended redemptions** during the year's final quarter.
- **Occasional fund gatings are a feature, not a bug, of a functioning semiliquid fund market,** but it is still unclear how tolerant European retail investors will be of such events.

For further reading: ELTIFs Step Into the Spotlight, February 2025. The State of Semiliquid Funds, June 2025.

Key Takeaways

ELTIF 2.0 allows for a more watered-down approach to illiquid markets ...

- **The new regulations that came into effect in January 2024 significantly relaxed portfolio requirements for ELTIFs**, requiring them to hold only 55% of their assets in eligible investments (compared with 70% previously). The definition of eligible investments also broadened and now includes publicly traded stocks from micro-cap companies with market caps below EUR 1.5 billion, as well as certain securitized issues and green bonds.

... increasing ELTIFs' retail appeal but reducing their return potential.

- To appeal to nonprofessional investors, evergreen ELTIFs offer **periodic, typically quarterly, redemptions, which in turn often require them to keep 15% to 30% of assets in liquid securities**.

- Because many ELTIFs coming to market do not have pure exposure to private assets, they **will likely not be able to harvest the same hefty illiquidity premiums that have historically driven private market returns,** which many ELTIF managers use as their key selling point.

- Investors should consider whether the stated target returns are sufficiently more attractive than those of public markets to accept ELTIFs' higher risk and lower liquidity.

Despite increasing competition, fees remain high.

- **ELTIFs' fees are significantly higher on average than those of comparable public market products.** As a result, investors run the risk of overestimating the potential afterfee returns of ELTIFs.

The role of ELTIFs as portfolio diversifiers can be overstated.

- ELTIFs often carry traditional equity or credit risk, which limits how much they can really act as portfolio diversifiers. Most strategies should be seen as **expanding the equity or credit opportunity set rather than adding new risk factors**.

- As the asset management industry faces increased pressure from low-cost solutions like passive ETFs, private assets provide an opportunity to rebuild higher-margin product lineups and boost bottom lines, which may not always result in products that are in investors' best interests.

Due diligence is key.

- **ELTIF products are still far from standardized**. Fund structures, terms, fee schedules, and implementation strategies still differ sharply, which requires significantly more due diligence for investors compared with traditional investments.

Market Overview

ELTIF 2.0 Reform Removes Major Roadblocks to Widespread Adoption

Summary of Major Differences Between 2015's ELTIF 1.0 Framework and 2024's ELTIF 2.0 Framework

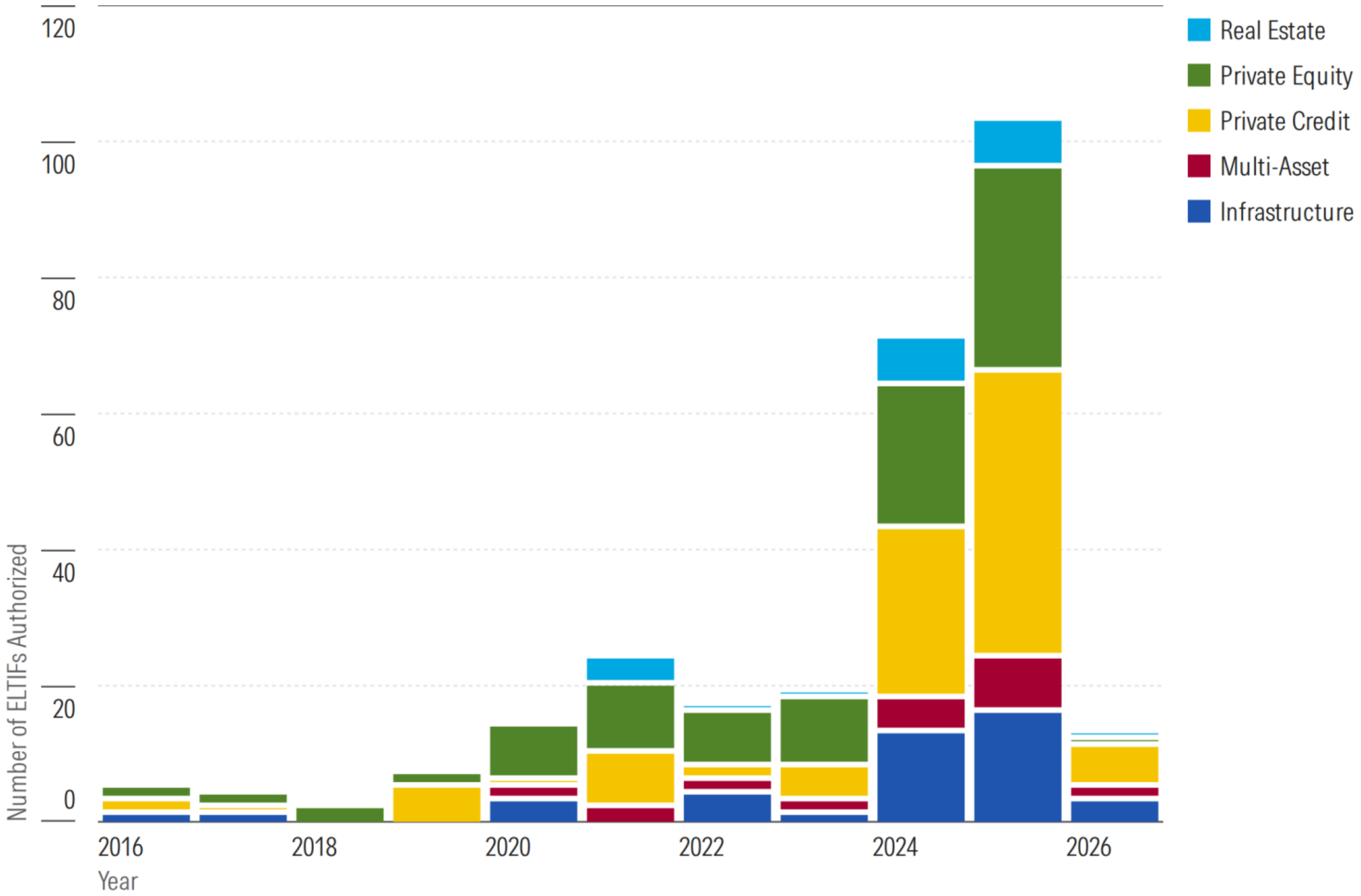
	ELTIF 1.0	ELTIF 2.0
Investor Eligibility		
Investment Minimums	10,000 EUR minimum for retail investors.	No investment minimums.
Investment Limits	ELTIF exposure must be max. 10% of retail investor's portfolio.	No investment limits.
Fund Structure and Portfolio		
Fund Structure	Guidance clear for closed-end structures, but not for evergreen (semiliquid) structures.	Clear guidance provided for closed-end and evergreen (semiliquid) structures alike.
Allocation to Eligible Assets	Min. of 70% of portfolio must be invested in eligible assets.	Min. of 55% of portfolio must be invested in eligible assets.
Leverage	Max. 30% for retail funds.	Max. 50% for retail funds.
Diversification	Max. 10% per single asset or underlying fund.	Max. 20% per single asset or underlying fund.
Geographic Exposure	Rules ambiguous; commonly interpreted as requiring at least 50% of underlying assets to be EU-domiciled.	Framework explicitly allows majority of underlying assets to be non-EU-domiciled.
Definition of Eligible Assets		
Real Assets	Must be valued at 10 million EUR or more.	No minimum valuations for real assets.
Securitized assets	Not eligible.	Eligible if meeting EU transparency standards.
Listed Equity	Allowed if market cap <500 million EUR.	Market cap limit for listed equity raised to <1,500 million EUR.
Underlying Funds	ELTIFs can invest only in other ELTIFs, EuVECAs and EuSEFs.	Eligible underlying funds expanded to include UCITS and AIFs.

Source: Official Journal of the European Union, REGULATION (EU) 2015/760 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 29 April 2015 and Official Journal of the European Union, REGULATION (EU) 2023/606 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 15 March 2023

Regulatory Reforms Give the ELTIF Industry a Boost

New ELTIFs Authorized by Year and by Asset Class

New product launches expanded following ELTIF 2.0's January 2024 implementation.



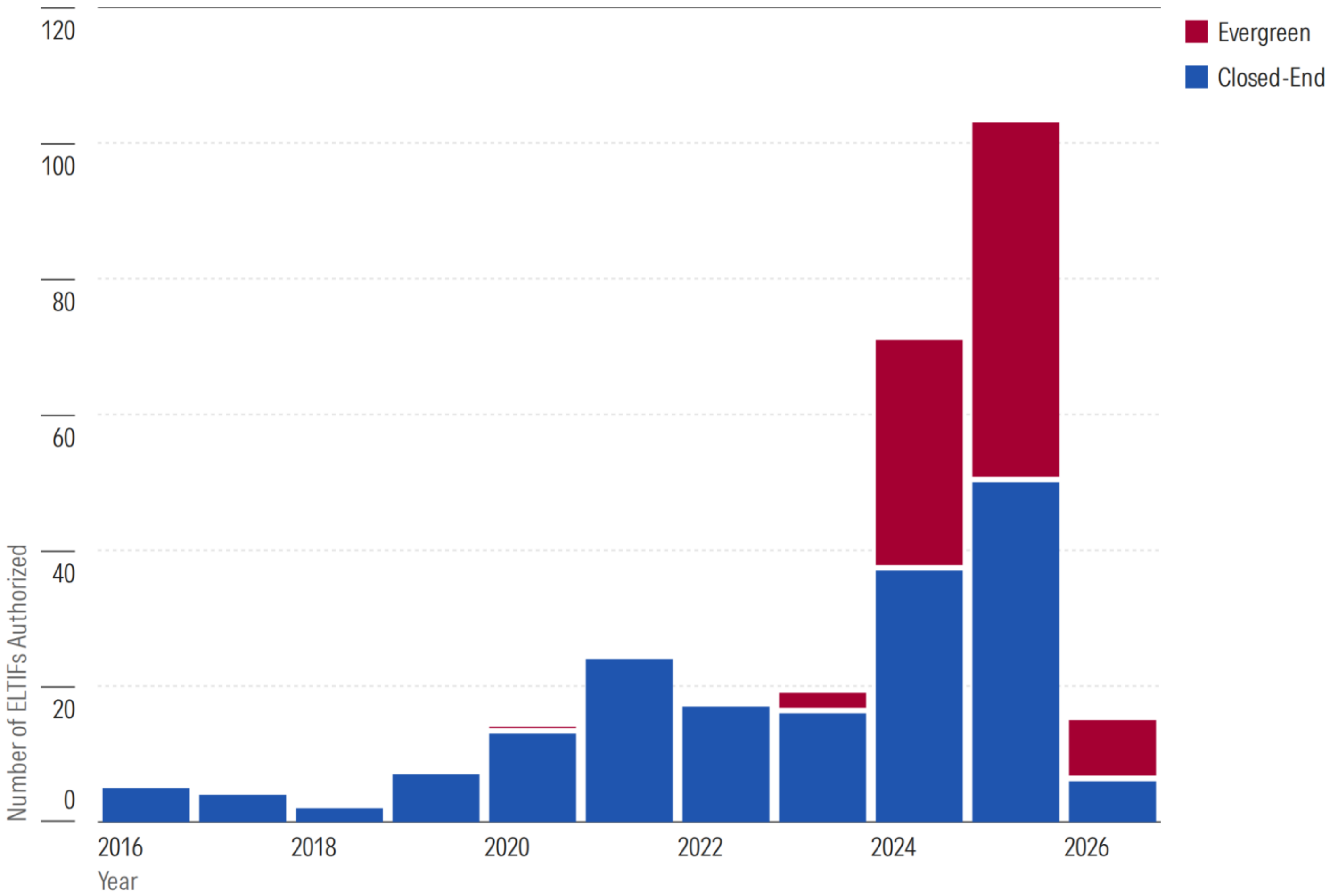
- The European Union established the framework for European long-term investment funds in December 2015 with the aim of channeling retail and institutional capital into long-term investments, benefiting the European real economy.
- However, many asset managers found the original regulations to be prohibitively restrictive. Between 2016 and 2023, **38 asset management firms** registered a total of **92 ELTIFs.**
- Beginning in January 2024, a revised framework dubbed "ELTIF 2.0" went into effect. Thanks to its increased flexibility and clarity, **97 asset management firms** registered a total of **189 ELTIFs** between January 2024 and February 2026.
- While private equity represented the dominant asset class among ELTIFs launched under the 1.0 regime, recent launches have increasingly been dominated by private credit strategies.

Source: European Securities and Markets Authority, register of authorised European long-term investment funds. https://www.esma.europa.eu/document/register-authorised-european-long-term-investment-funds-eltifs. Accessed on March 10, 2026

Evergreen ELTIFs Make Up a Growing Share of New Launches

New ELTIFs Authorized by Year and by Structure

Evergreen launches have picked up speed, but closed-end structures remain popular.



- The original ELTIF 1.0 regulations lacked clear guidance for structuring evergreen—that is, open-ended, continuously operating—fund structures. As a result, only one evergreen product (Klimavest ELTIF) was launched under the previous regime.
- Effective January 2024, the ELTIF 2.0 regulations include clear guidelines on structure and liquidity management for evergreen (also called "semiliquid") products.
- One hundred and one evegreen ELTIFs have been authorized under the new regulatory framework by Morningstar's count (including three launched in December 2023 in anticipation of the new regime).
- Nonetheless, closed-end, fixed-life fund structures remain popular and accounted for roughly half of all new ELTIF authorizations in 2024, 2025, and the first two months of 2026.

Source: European Securities and Markets Authority, register of authorised European long-term investment funds. https://www.esma.europa.eu/document/register-authorised-european-long-term-investment-funds-eltifs. Accessed on March 10, 2026

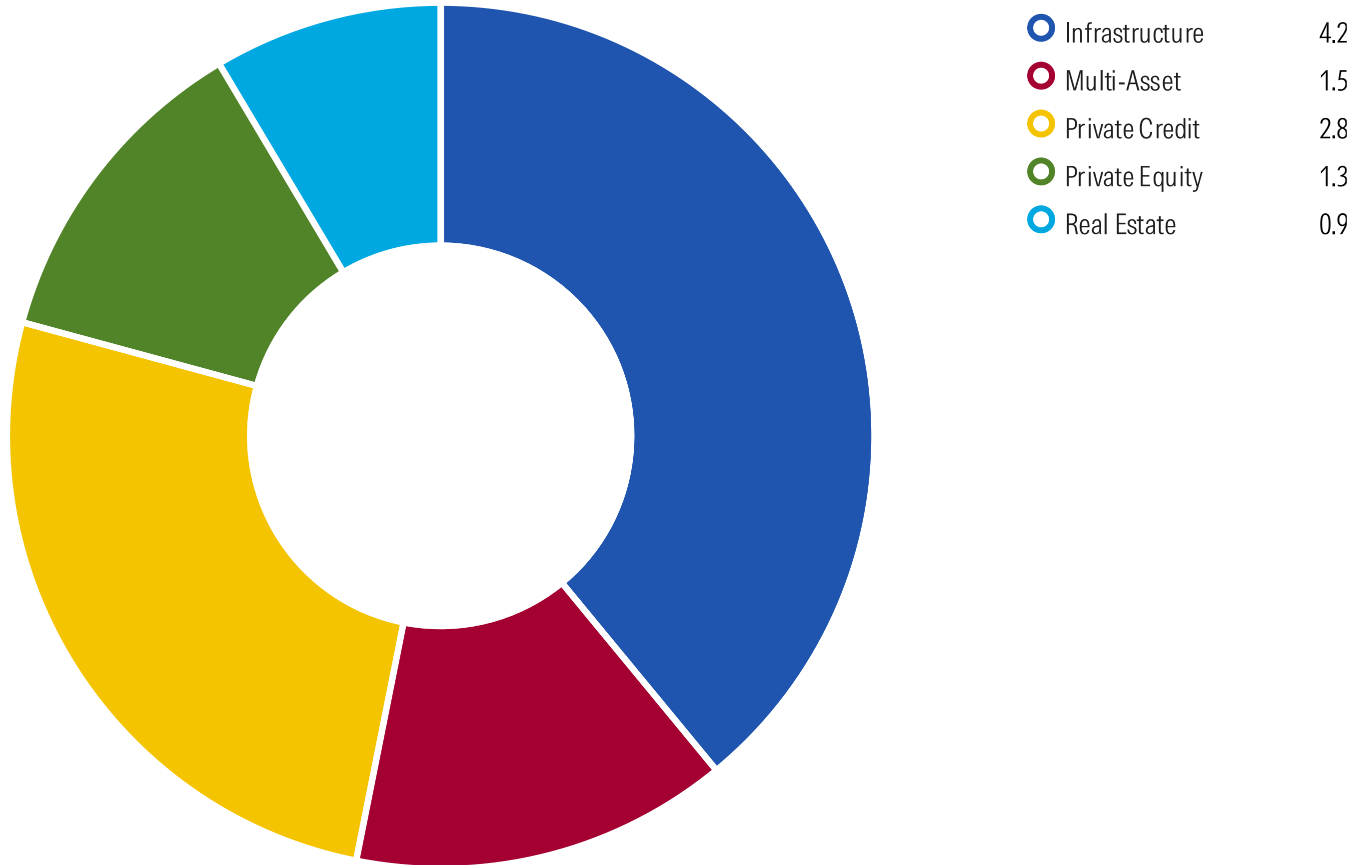
The EUR 10 Billion Evergreen ELTIF Market: Infrastructure and Credit Dominate

- Using data from Morningstar Direct and public information from fund documents, we estimate the overall size of the evergreen ELTIF universe to be around EUR 10 billion as of the end of 2025.

- **Infrastructure** funds lead the market, driven by three factors: these assets are harder to access through public markets; their long-dated, stable, and often inflation-linked cash flows align naturally with the ELTIF structure and with European retail investors' risk appetite; and they match the directive's core aim of channeling capital into the real economy.
- **Private credit's** key appeal is floating-rate income generation. Direct lending and syndicated loans are the main underlying asset segments.
- **Multi-asset** ELTIFs require more than one craft, but these products may represent an efficient and diversified access point to a wider investor audience. Large, traditional asset managers such as Amundi, BlackRock, and J.P. Morgan command the space.
- **Private equity** represents a relatively small share, whereas **real estate** is dominated by a single fund (Greenman Open).

Evergreen ELTIFs' AUM as of the End of 2025

Estimated AUM Breakdown by Asset Class (EUR Billion)

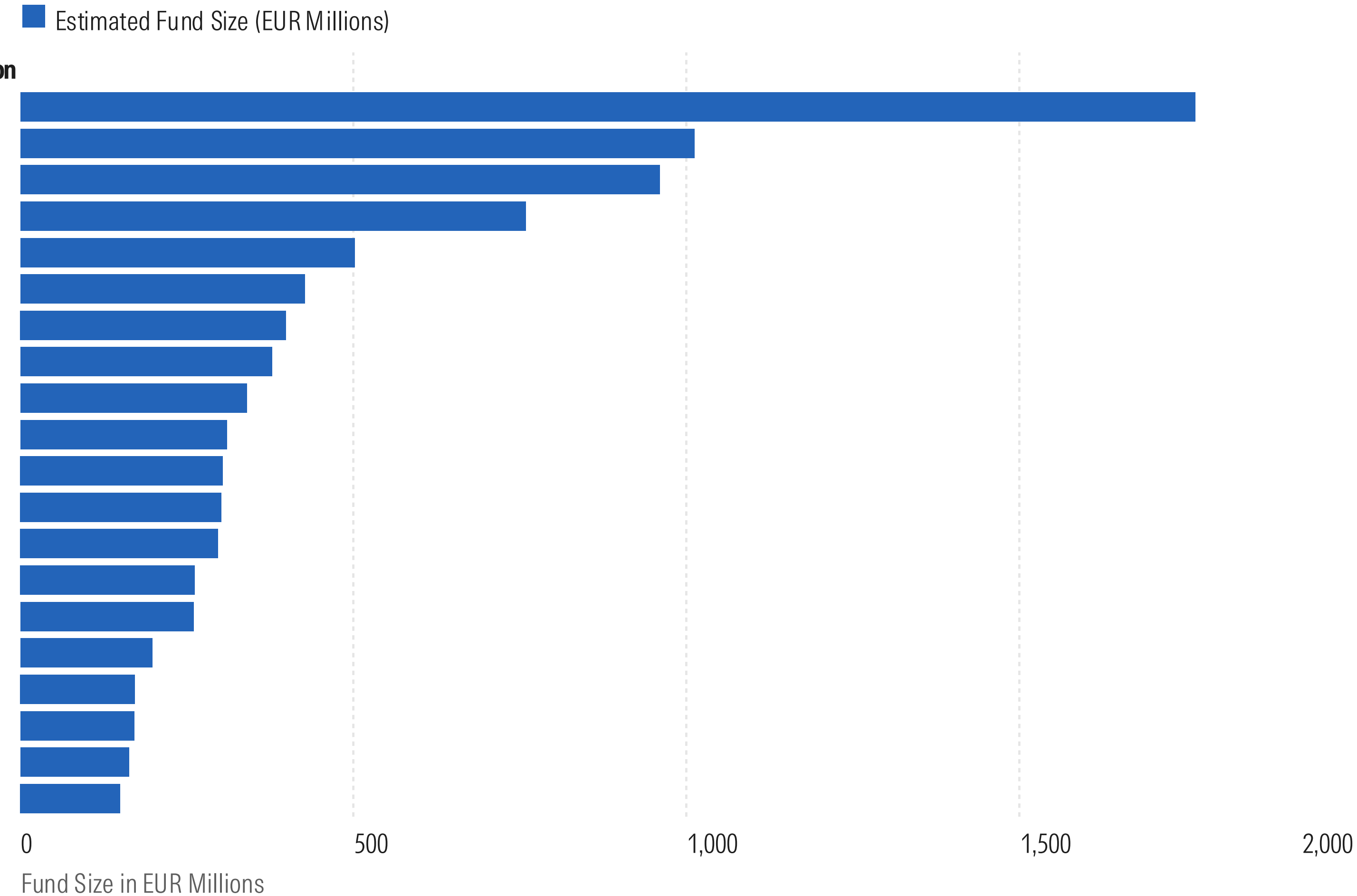


Source: Morningstar Direct, companies' websites and marketing material.

The Largest Evergreen ELTIFs

Evergreen ELTIFs Ranked by Assets Under Management

Name	Category	Inception
Klimavest	Infrastructure	2020
M&G Corporate Credit Opportunities	Private Credit	2023
GF Infrastructures Durables SLP	Infrastructure	2024
Greenman Open*	Real Estate	2024
Eiffel Infrastructure Vertes	Infrastructure	2025
Deutsche Bank Private Markets Diversified SAA	Multi-Asset	2025
BlackRock Multialternatives Growth	Multi-Asset	2024
AXA Financement Entreprises	Private Credit	2024
Invesco European Upper Middle Market Income	Private Credit	2025
Stepstone Private Credit ELTIF	Private Credit	2025
AC One Planet	Infrastructure	2025
LBPAM Private Opportunities	Multi-Asset	2024
EQT Nexus NXTF	Private Equity	2025
Uniprivatmarkt Infrastruktur	Infrastructure	2024
Neuberger Berman LIQID Private Equity NXT	Private Equity	2024
Swiss Life Privado Infrastructure	Infrastructure	2024
Fineco AM ELTIF Private Equity	Private Equity	2025
Partners Group Private Equity Opportunities	Private Equity	2024
BlackRock Private Equity	Private Equity	2024
Tikehau Défense & Sécurité	Multi-Asset	2025



Source. Morningstar Direct, authors' calculation. Fund sizes are as of the most recent public filings and may vary because of disclosure dates. *Date of conversion to ELTIF from a specialized investment fund.

Adoption and Accessibility: Still a Long Road Ahead

- Public/private convergence hinges on the expansion of the private markets investor base to include wealth and retail channels. Broadening access to private markets entails operational challenges, however, and distribution partnerships often play a central role. In most EU countries, advisor- and bank-led distribution still dominate.

- While the ELTIF framework allows distribution across the EU, 29% of evergreen ELTIFs are currently marketed in only one country. Many are designed for specific channels, like insurance solutions (see Tikehau Défense et Sécurité or Rgreen Energy Transition).

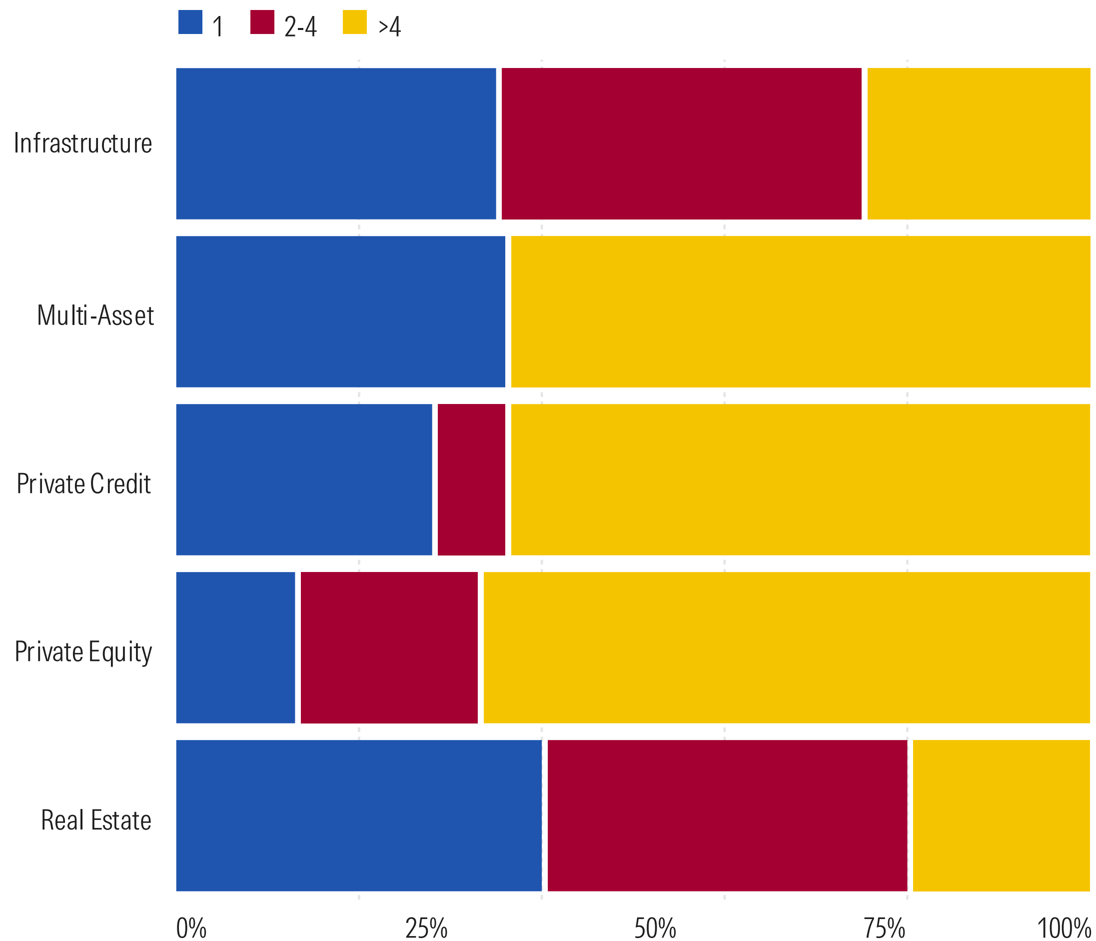
- Traditional asset managers may hold an advantage because they already cater to the mass market. The ELTIFs with distribution across the widest range of countries tend to be offered by diversified fund shops with established open-end fund businesses (like Invesco or M&G).

- Platforms act as the pipes. Based on our conversations with market participants, as of early 2026, the structural barriers to accessing ELTIFs have largely been lifted. The largest European players, Allfunds and Clearstream, have adapted their operational machinery over the past two years to better handle private market products.

- The UK fund market faces similar challenges in incorporating semiliquid offerings into the existing fund landscape. Operational complexity and unclear demand are among the themes discussed in our recent study of the UK LTAF market: [Public/Private Convergence: Are Platforms Ready for LTAFs?]

Share of Evergreen ELTIFs Marketed in a Small Number of Countries

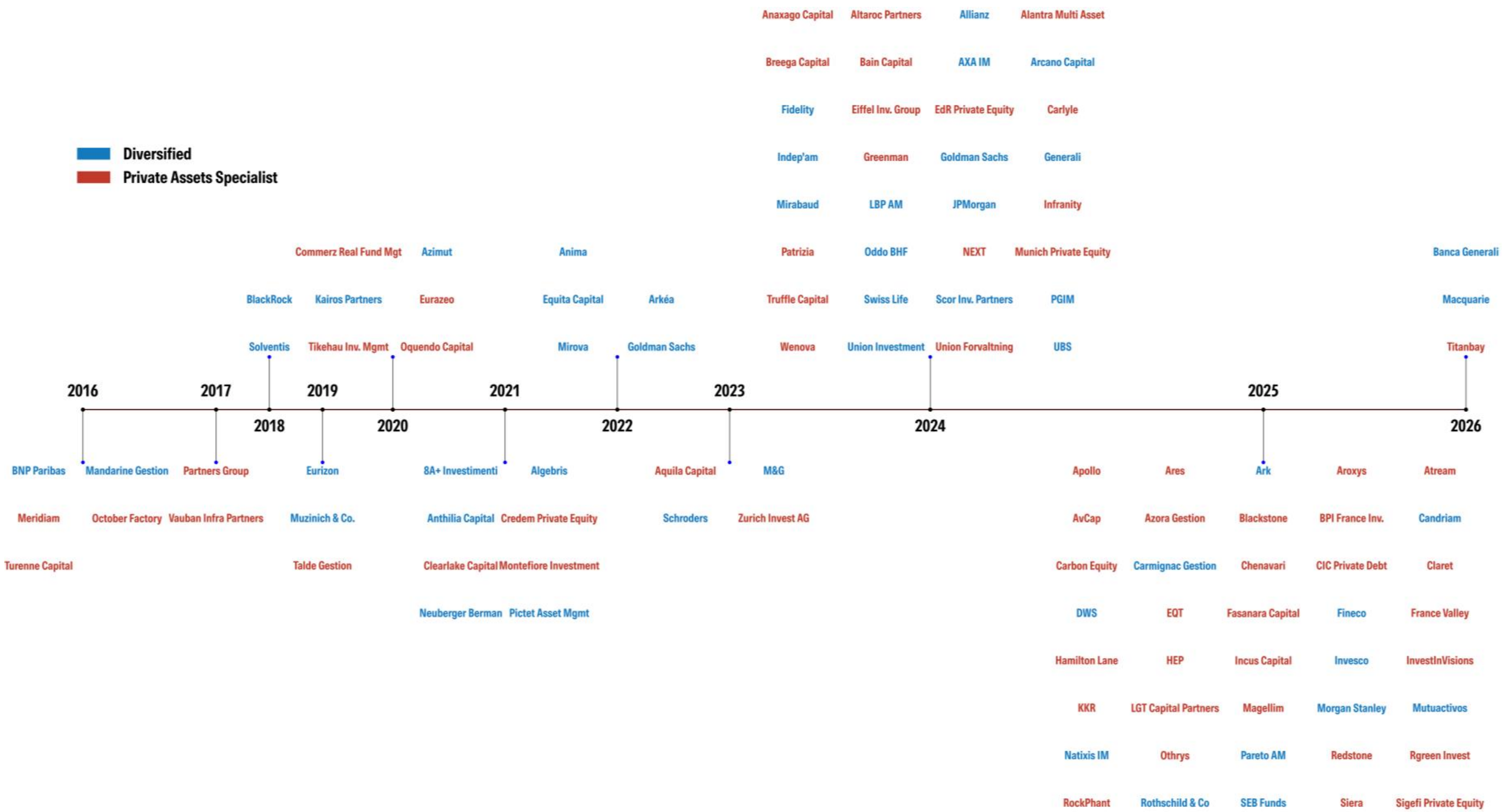
Number of markets where ELTIFs are registered for sales.



Source: ESMA, authors' calculations.

Traditional and Diversified Asset Managers and Private Asset Specialists Have Flocked to the ELTIF Space

Fund Companies by Date of First ELTIF Registration



- One hundred and nine firms have currently registered ELTIFs, with the vast majority having one or, at most, two products.
- The group is roughly evenly split between traditional asset managers with diversified activities (including long-only, liquid investments) and more niche players that had historically specialized only in private assets.
- As pressure from low-cost passive competitors grows, some asset managers might view involvement in private markets as an opportunity to rebuild higher-margin product lineups and boost bottom lines. Investors should therefore critically assess the capabilities and stewardship culture of the firm behind a given ELTIF before investing.

Source: European Securities and Markets Authority, register of authorised European long-term investment funds. https://www.esma.europa.eu/document/register-authorised-european-long-term-investment-funds-eltifs. Accessed on March 10, 2026

Introducing Morningstar Categories for Private Asset Funds

- In October 2025, Morningstar introduced three new categories that are focused on classifying semiliquid funds domiciled in Europe, Asia, and Africa, including ELTIFs, into suitable peer groups. These supplement the preexisting categories for direct property funds and infrastructure funds.

- Funds in these categories do not currently receive a Morningstar Rating, due to the significant heterogeneity and dispersion in outcomes between funds. As the ELTIF universe grows, more granular categories may be introduced at a later stage to facilitate comparisons.

New Private Market Morningstar Fund Categories

Morningstar Fund Category	Definition
Private Equity	Funds that invest at least 15% of their assets in equity interests in privately held companies. These exposures may be obtained indirectly, by investing in other funds that have exposure to private equity directly.
Private Debt	Funds that invest at least 15% of their assets in debt that has been extended to private companies. Funds holding a variety of debt can reside here, including mezzanine, distressed, venture debt, and direct lending.
Private Multi-Asset	Funds that invest at least 15% of their assets in a mix of illiquid securities but do not have enough concentration in equities, debt, real estate, or infrastructure to be classified into one of those categories.

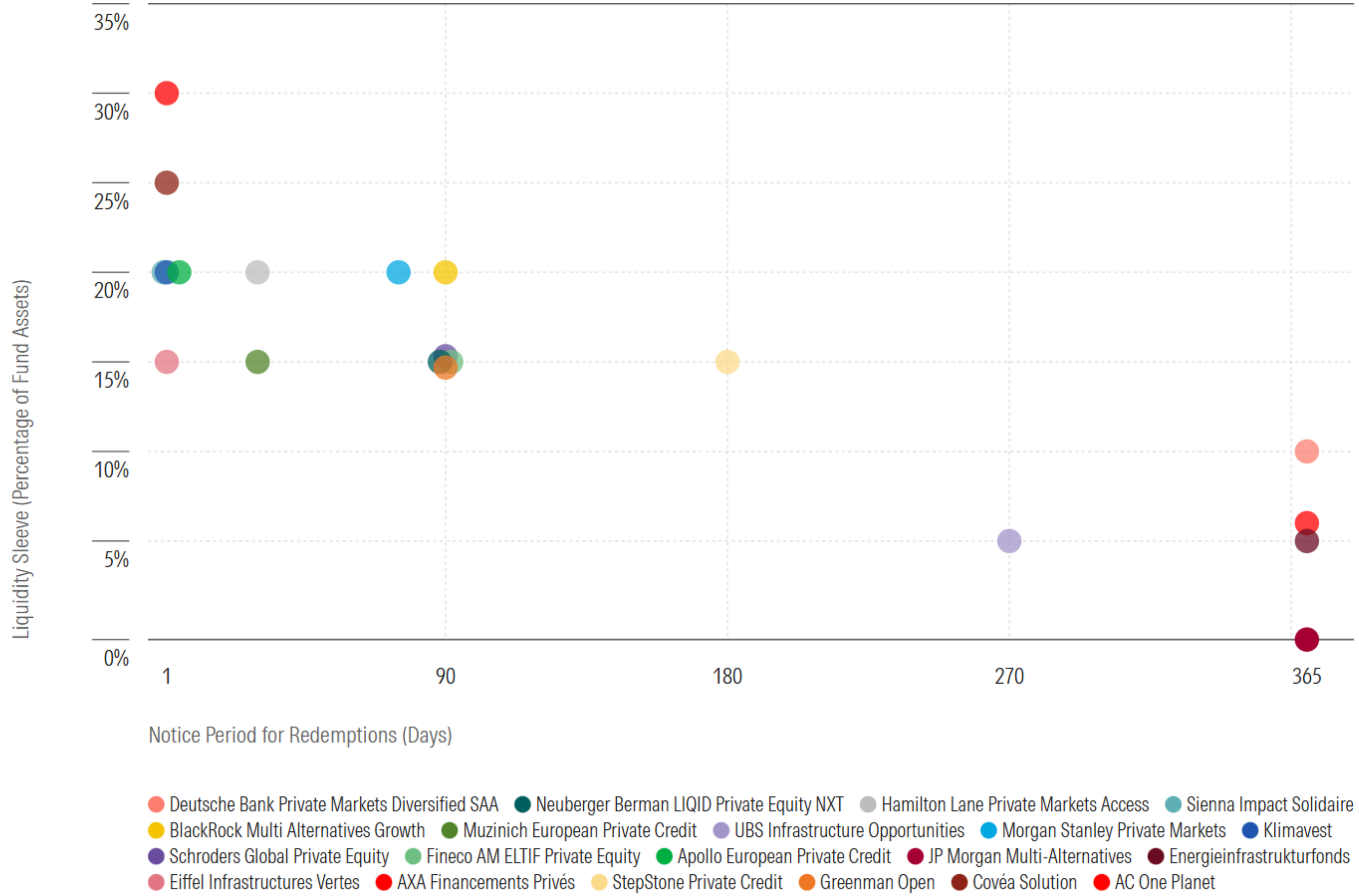
ELTIFs Under the Hood

Evergreen ELTIF Managers Employ a Range of Solutions to Provide (Semi)Liquidity to Investors

- Evergreen funds must find a compromise between maintaining largely illiquid portfolios and allowing investors to withdraw capital intermittently.
- The ELTIF 2.0 Regulatory Technical Standards specify two methods for managing redemptions:
    - **Notice period method:** Funds can require advance notice for redemption requests.
    - **Liquidity pocket method:** Funds can keep a certain percentage of assets in liquid securities and limit withdrawals per redemption window to a given percentage of that liquidity sleeve.
- So far, most evergreen ELTIFs have opted for a mix of the two methods, imposing both notice periods and liquidity sleeve restrictions. (See chart.)
- In addition, many ELTIF managers concurrently employ other tools to smooth redemptions, including:
    - **Fees:** Redemption fees, swing pricing, etc.
    - **Lockups:** Minimum holding periods during which redemptions are restricted
- JPMorgan Multi-Alternatives, for example, maintains no liquidity sleeve and instead relies on conservative lockup and notice period policies to manage redemptions.

Approaches to Liquidity Vary Across the Evergreen ELTIF Universe

Liquidity sleeves and notice periods are two methods for managing ongoing redemptions.



Liquidity Is Never Fully Guaranteed

- In managing redemptions, semiliquid fund managers typically first tap cash generated within the investment portfolio (such as coupon payments) or cash from new investor inflows to return capital to investors who wish to exit.

- If redemption requests exceed these cash sources, many (though not all) semiliquid funds employ a liquidity sleeve as the next line of defense. Such sleeves usually range from 15% to 30% of fund assets. ELTIF terms typically limit redemptions per window to a given portion of the liquidity sleeve. Requests that exceed these limits are then typically rescheduled to the following redemption window.

- Asset managers need to tread a fine line. On the one hand, a liquidity sleeve facilitates withdrawals without requiring the sale of illiquid assets. On the other hand, adding liquid assets to a portfolio can dilute the fund's overall returns as these don't benefit from private assets' "illiquidity premium."

- There is no standard approach to managing a liquidity sleeve. On the conservative end of the spectrum, some ELTIFs (like Klimavest) maintain a liquidity sleeve of purely cash instruments. Others, like BlackRock Multi Alternatives Growth, use the liquidity sleeve as an additional performance driver and will dynamically allocate to cash, bonds, and equities. The latter approach can result in higher returns over time if executed well, but it introduces more risk and can result in higher volatility and sharper drawdowns.

Sources of Liquidity for Evergreen Funds: Ordinary (Blue) and Extraordinary (Red)

Type	Example
Liquidity Sleeve	Cash, liquid public assets etc.
Portfolio Income	Dividends, coupons, principal repayments
New Subscriptions	Fund-level inflows
Exits	Full or partial asset sales
Financing	Credit facility
Other	GP-led intervention

- If redemption requests consistently exceed available cash flow and the liquidity sleeve is exhausted, fund managers may turn to more costly options, such as the sale of underlying assets or short-term borrowing. (Rarely, semiliquid managers have taken even more drastic measures, such as the managers of US-based Blackstone Private Credit, who injected USD 400 million of firm and employee money into the strategy to fund client withdrawals.)

- To avoid these measures, fund managers can choose to gate the strategy or temporarily restrict withdrawals. Gatings protect investors who wish to remain invested. They are a feature, not a bug, for semiliquid vehicles (including ELTIFs).

Greenman Open: Europe's First ELTIF to Gate Redemptions in Late 2025

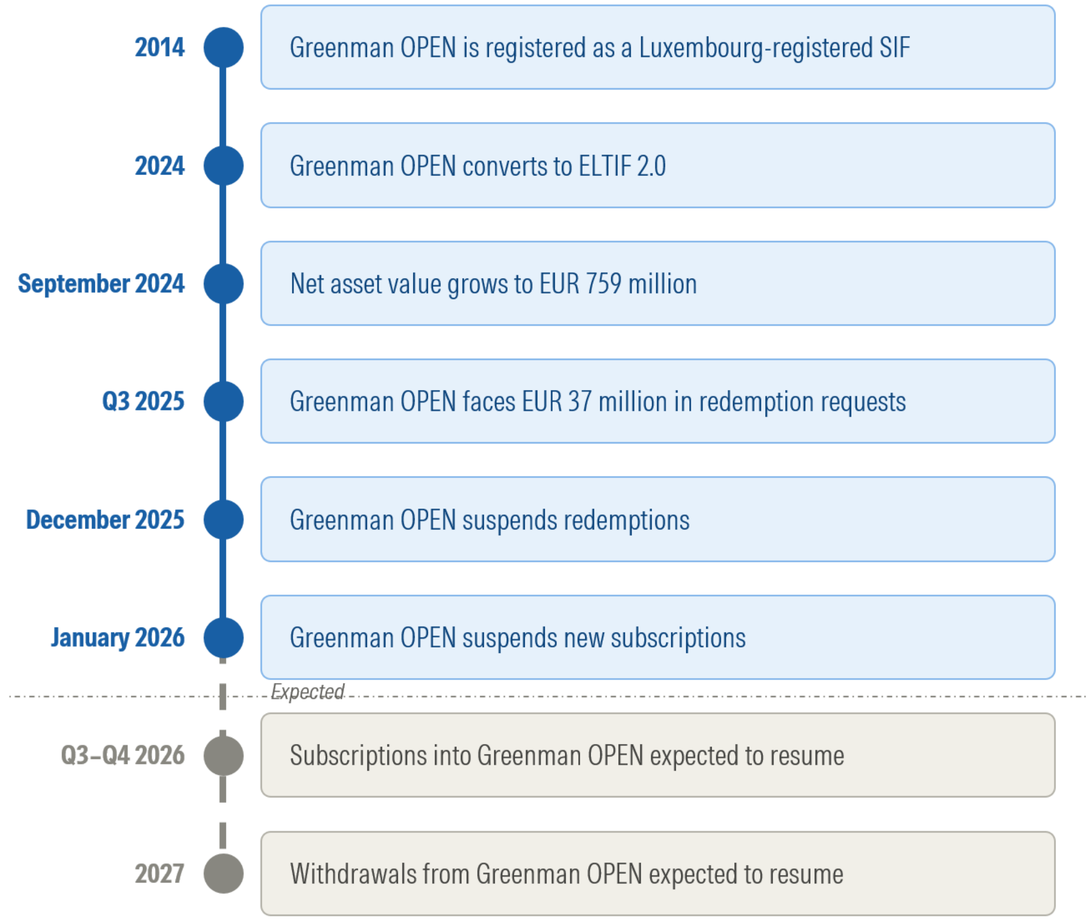
- The recent experience of Greenman Open ELTIF illustrates the tensions inherent in semiliquid investing and the growing pains the ELTIF market could experience.

- In the third quarter of 2025, Greenman Open, an evergreen ELTIF invested in German commercial real estate, announced that it could not meet current redemptions via the fund's routine cash flow and liquidity reserves, causing it to halt withdrawals and subsequently close to new inflows, too.

- The fund had initially been launched as a Luxembourg-registered specialized investment fund but converted to the ELTIF 2.0 structure in 2024. It very rapidly expanded its investor base through a reduced investment minimum of EUR 1,500 and the launch of a mobile subscription app. The firm's materials stated that the fund had more than 8,000 individual investors as of early 2025.

- In early 2026, the firm announced that it would seek to reopen for subscriptions later in the year but that redemptions would not resume until 2027. The firm aims to address its liquidity challenges through a mix of asset sales, broader distribution, and a tool to allow redemption requests to be simultaneously matched with new inflows. This serves as a reminder that niche private asset players that enter the ELTIF space may not have all the operational tools in place that are considered common practice at more established traditional players.

Timeline of Greenman Open's Launch and Gating



Source: https://www.greenmanopen.com/, public statements

With Modest Leverage, Incentive Fee Collection Is Almost Guaranteed in Private Credit

- The initial ELTIF regulations set a very conservative limit on the use of leverage, capping it at 30% of net asset value for retail-oriented products. Many managers viewed this as too restrictive, and the ELTIF 2.0 regulation relaxed the limit to **50% of net assets for retail ELTIFs**. ELTIFs marketed to professional or institutional investors, meanwhile, are allowed to borrow cash for up to 100% of their net asset value.

- While leverage increases the potential yield for investors, it also makes it very easy for fund companies to charge full incentive fees, as long as interest rates are above zero.

- That's because private credit ELTIFs generally lend money at floating rates, meaning they lend at a spread above a reference interest rate, like the euro short-term rate (€STR). Their incentive fees, however, are usually based on fixed “hurdle rates,” which are the rates that funds' returns need to clear before collecting incentive fees.

- Take, for example, an ELTIF that charges a 12.5% performance fee with full catch-up over a 5% hurdle rate. In a realistic scenario, the fund might lend at a weighted average spread of 5.5% over reference interest rates and borrow at a 2.0% spread. At 40% leverage (that is, 40% of the fund’s overall capital is borrowed), the fund doesn’t need reference rates to be above zero to earn full incentive fees.

Percentage of Maximum Possible Incentive Fees Earned by Base Rate and Leverage Scenario

Reference Interest Rate	Leverage 0%	5%	10%	15%	20%	25%	30%	33%	35%	40%	45%	ELTIF limit 50%
0.00%	0%	0%	0%	0%	0%	0%	23%	59%	77%	100%	100%	100%
0.25%	0%	0%	0%	0%	0%	11%	59%	92%	100%	100%	100%	100%
0.50%	0%	0%	0%	0%	4%	48%	92%	100%	100%	100%	100%	100%
0.75%	0%	0%	0%	3%	42%	81%	100%	100%	100%	100%	100%	100%
1.00%	0%	0%	6%	41%	76%	100%	100%	100%	100%	100%	100%	100%
1.25%	0%	13%	44%	75%	100%	100%	100%	100%	100%	100%	100%	100%
1.50%	23%	50%	78%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1.75%	59%	84%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
2.00%	92%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
2.25%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
2.50%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
2.75%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
3.00%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
3.25%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
3.50%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
3.75%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
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4.75%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
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5.25%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
5.50%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
5.75%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
6.00%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
6.25%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
6.50%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: authors' calculations. Assumes a 1.25% management fee, 12.5% incentive fee with full catchup over 5% hurdle. Lending assumed at 5.5% spread and borrowing at 2% spread.

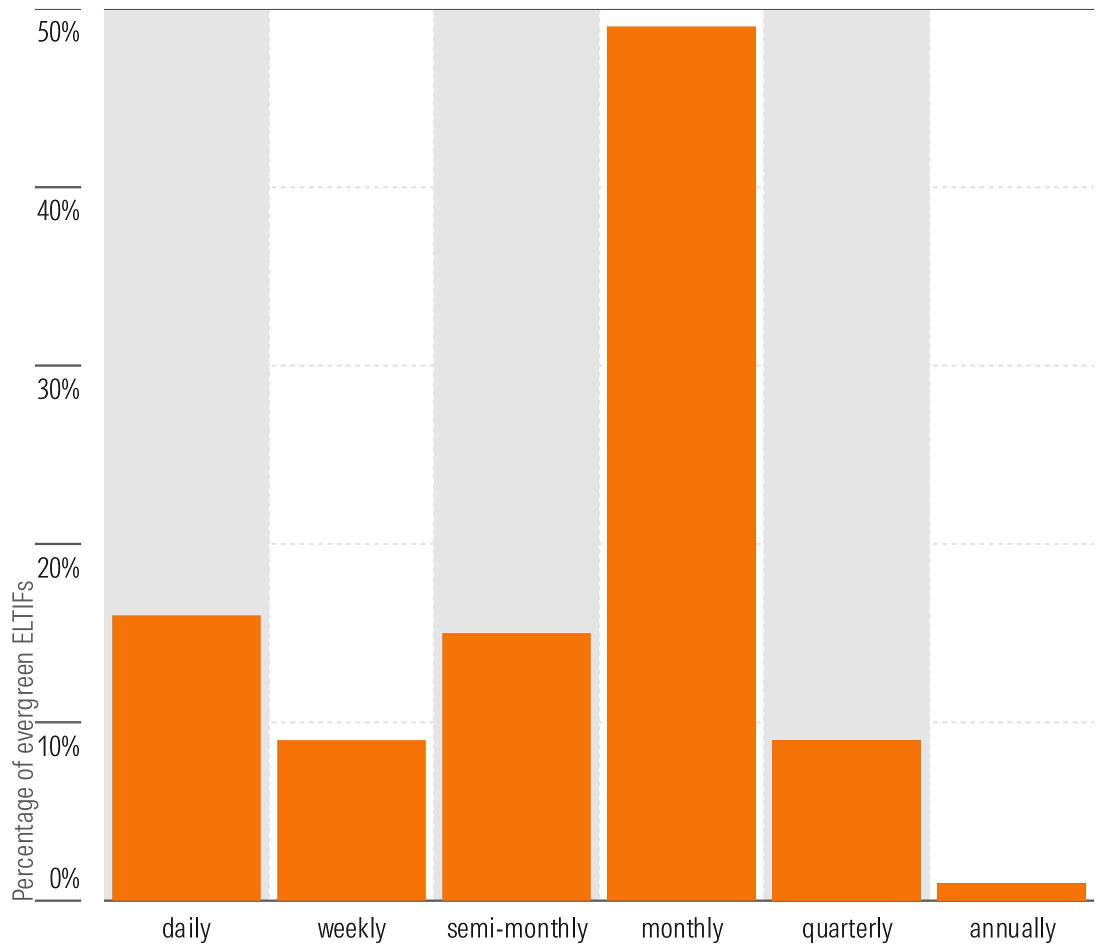
- This mismatch of a floating lending rate and fixed hurdle rate thus creates a scenario where it takes extraordinary circumstances (or a series of defaults in the portfolio) for a private credit fund *not* to collect its incentive fee, especially if it uses leverage, which boosts the lending yields.

- If rates across Europe fall back to pre-covid levels, it will be interesting to see if asset managers stick to their nominal hurdle rates.

Valuation Frequencies and Practices Differ

- ELTIFs are faced with the challenge of calculating a periodic net asset value, while their underlying assets trade much less frequently, if at all.
- Most private assets are considered Level 3 according to the International Accounting Standards Board's widely-used accounting standards. This means that the assets' valuations cannot be based on readily available market prices (Level 1), nor on other observable inputs such as quoted prices for similar securities (Level 2). As such, determining the fair value of private investments involves a certain amount of subjectivity and assumptions.
- Morningstar Direct data shows that the majority of evergreen ELTIFs publish only monthly NAVs, while a smaller group price their portfolio even less frequently.
- The valuation methodology used for private assets is often proprietary to the firm. However, before investing in an ELTIF, investors should try to ascertain:
    - How frequently each asset in the portfolio is valued.
    - To what extent third-party valuation services are used as inputs to the methodology, and whether the valuation methodology is independently audited.
    - To what extent asset prices are adjusted for financial factors, market variations, or idiosyncratic events.
    - The quality of the parent company's stewardship and governance of valuation processes
- This will give additional clues to interpret whether an ELTIF's apparent NAV stability masks a lack of appropriate valuation adjustments.

Percentage of Evergreen ELTIFs by Pricing Frequency

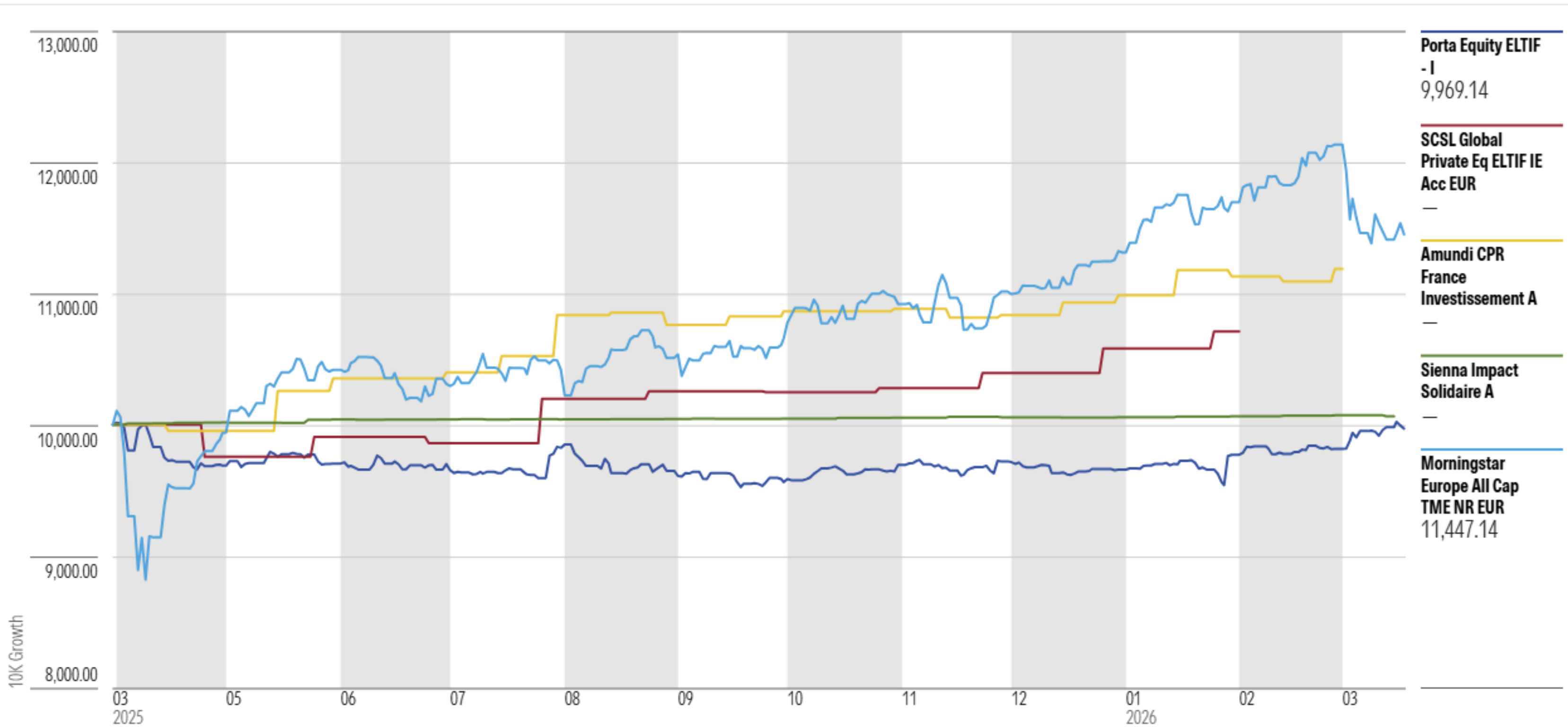


Sources: Morningstar Direct, supplemented by authors' calculations. Data as of March 2026.

Infrequent Pricing May Mask the Level of Underlying Risk

This chart illustrates the return patterns of evergreen ELTIFs with public track records dating to April 2025 or earlier. One fund in the sample prices its portfolio daily, while the three others only calculate NAVs monthly. When public equity markets sold off precipitously in April 2025's tariff tantrum, many semiliquid equity funds were not quick to write down holdings' valuations. In fact, as the selloff lasted less than a month, any fund with a less-frequent-than-monthly valuation could have completely sidestepped any market volatility, giving investors a false sense of confidence. Not seeing volatility can help keep fundholders invested for longer and presumably help combat the tendency to buy high and sell low. On the other hand, it means the NAVs probably don't reflect true fair value and therefore don't reflect the true risk within these portfolios.

10K Growth of Private Equity ELTIFs



Source: Morningstar Direct. Data as of March 2026. Universe: Evergreen private equity ELTIFs with inception dates prior to, or equal to, April 2025.

High Price Tags and Investor-Unfriendly Performance Fees Are Still the Norm

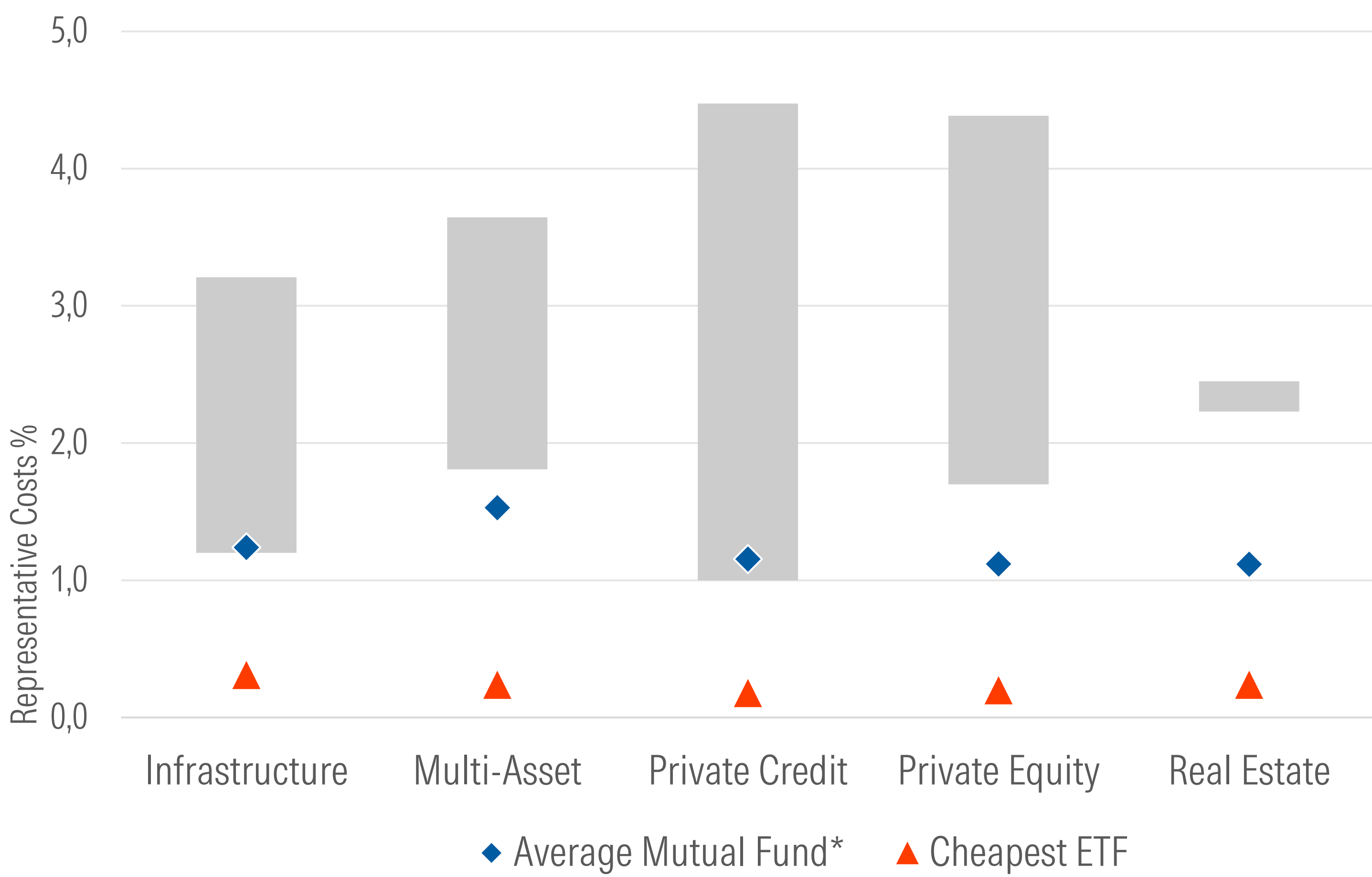
Private assets remain costly to access, and beyond the hefty headline fees, investors face three core problems:

Opaqueness
High management and performance fees can be just the first hit. Investors can face multiple additional charges, such as transaction or “asset acquisition” costs, double fee layers on underlying funds, so-called “deal-by-deal carry”, leverage costs (if present), or service and distribution fees.

Comparability
Fee structures differ significantly from fund to fund, making all-in cost comparisons almost impossible. This echoes the experience of US investors, as documented in [The Many Problems of Incentive Fees in Semiliquid Funds].

Appropriateness
Return targets vary significantly and are all too often inconsistent with the hurdle rate used for performance fees, which, unfortunately, are frequent in this space. Hurdle rates are also typically expressed as a nominal rate (often 5%) rather than referencing a cash rate plus a spread. Lastly, performance fees may be charged on unrealized gains, and thus on appraised asset values, and in some cases are even crystallized on a quarterly basis.

Evergreen ELTIF Cost Bands vs. Comparable Public Markets Open-End Funds and ETFs



Source: Morningstar Direct, authors’ calculations. ELTIFs’ representative costs are averaged across all share classes and often underestimate the all-in fees because of the exclusion of transaction fees and, in some cases, performance fees. The public market equivalent EAA fund Morningstar Categories are sector equity infrastructure, EUR moderate allocation–global, global high-yield bond, global small/mid-cap equity, and property–indirect global.

Investors Should Consider Whether Return Objectives Are Sufficiently More Attractive Than Those of Public Markets Before Accepting ELTIFs' Higher Risk and Lower Liquidity

- Evergreen ELTIFs are a recent innovation, and investors cannot turn to history for guidance on what to expect. In the absence of a track record, asset managers often provide an expected rate of return, though estimates can range widely, owing in part to the diversity of approaches to private asset investing.

- Managers may also publicize records that they've built on other private asset vehicles, such as capital drawdown funds or institutional mandates. Such returns rely at least partly on unrealized gains—that is, on estimated asset values—and might have been achieved with entirely different fund and fee structures.

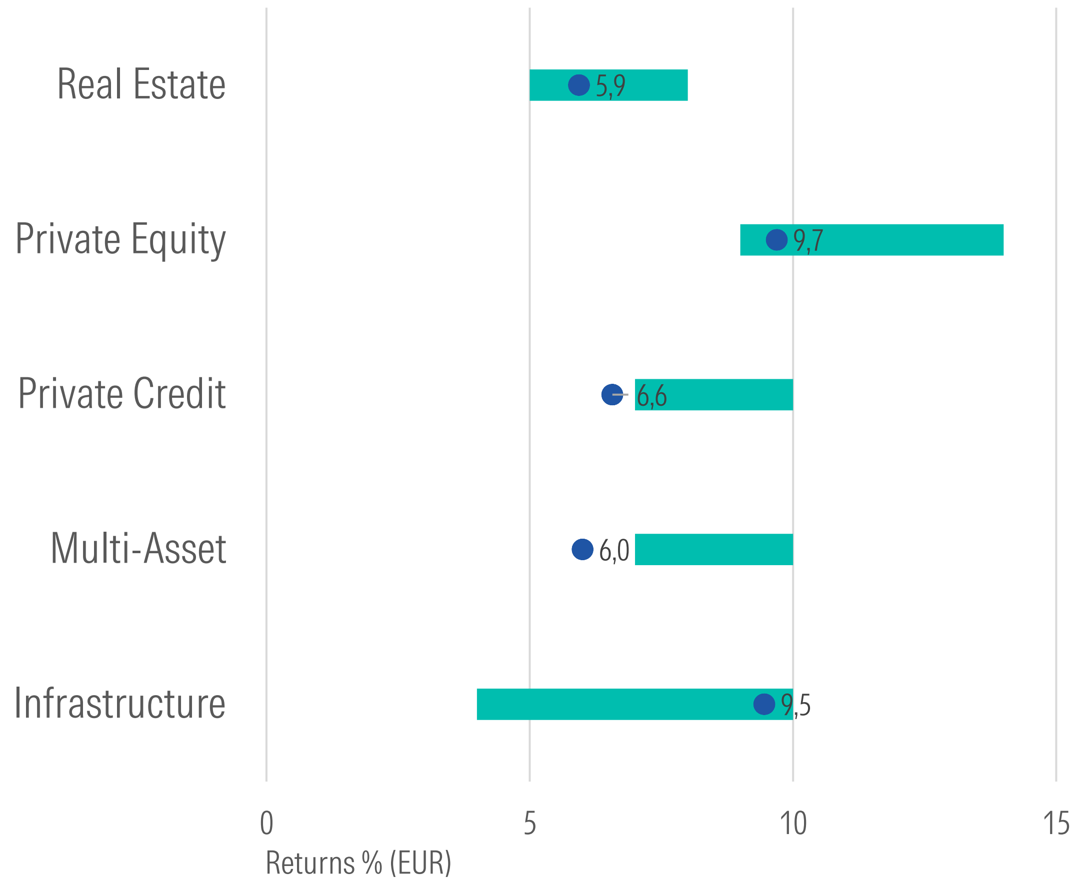
- Private credit ELTIFs typically target high-single-digit rates of return. While enticing at face value, that's hardly impressive considering the returns enjoyed in public credit markets in recent years.

- Similarly, the 9%-14% targeted return for private equity ELTIFs may not seem particularly impressive against the near-10% annualized return of global small caps over the past 15 years.

- Benchmarking infrastructure and real estate against public markets is tricky. Those public market equivalents have produced strong long-term returns, which raises the question of whether listed, indirect exposure to infrastructure and real estate is the best option for nonprofessional investors.

Afterfee Return Targets Vary Considerably

Range of expected returns based on fund marketing documents (teal bars) vs. public market equivalent Morningstar Indexes' 15-Yr Returns in EUR (blue dots)

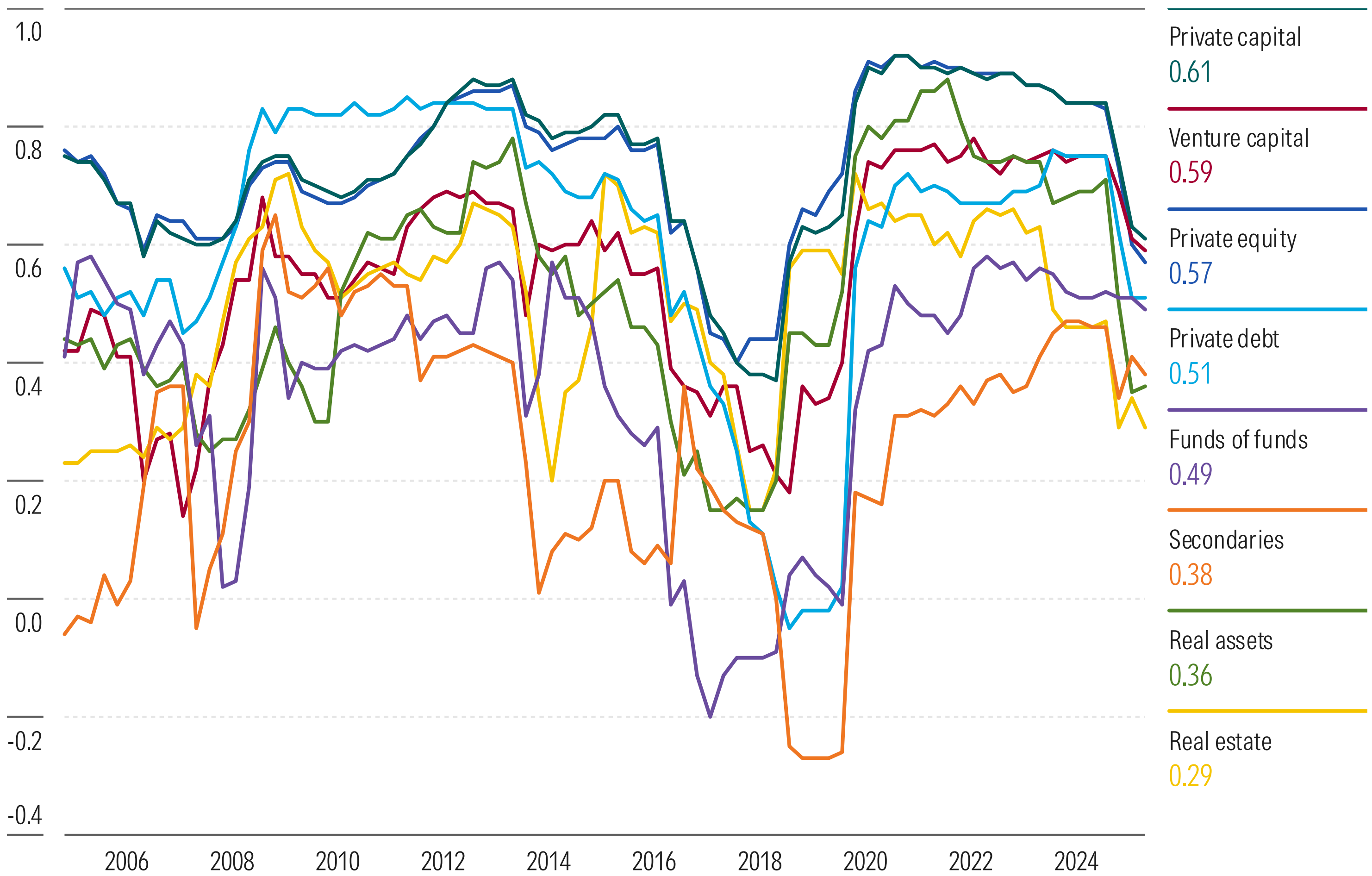


Source: Morningstar Direct, authors' calculation. Data as of March 17, 2026. Returns through the end of February 2026 Indexes: Morningstar Global Real Estate TME, Morningstar Global Markets Small-Mid Cap, Morningstar Global High-Yield Bond, Morningstar Euro Moderate Global Target Allocation, Morningstar Global Equity Infrastructure.

ELTIFs Aren't Necessarily the Diversifiers That Investors Expect

- Like many other semiliquid strategies, ELTIFs often carry traditional equity or credit risks, which limit the extent to which they can really act as portfolio diversifiers. Most strategies should be seen as expanding the equity or credit opportunity set rather than adding new risk factors.
- Private equity returns tend to correlate with public equity market returns, especially at the extremes. Therefore, the lack of real-time market pricing for underlying assets should not be confused with low correlation.
- Additionally, after correcting for specific factors like size, growth, sector exposures, and leverage, private market returns do not look too different from public markets.
- Private credit semiliquid funds in the US have delivered superior returns over funds investing in broadly syndicated bank loans, for example, but this is mainly an effect of leverage, as we show in The State of Semiliquid Funds.
- Investors considering ELTIFs should balance the allure superior return potential (at least theoretically) against the structure's drawbacks: complexity, limited liquidity, and, often, high costs.

Private Capital Indexes' Rolling Five-Year Correlation With S&P 500 Quarterly Returns



Source: PitchBook Private Capital Indexes—Q3 2025, Morningstar, and PitchBook. Data as of Sept. 30, 2025. Note: Correlations are calculated using the autocorrelation function-adjusted return series for the PitchBook Private Capital Indexes. For further reading: The Role of Semiliquid Funds in Portfolios, February 2026

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