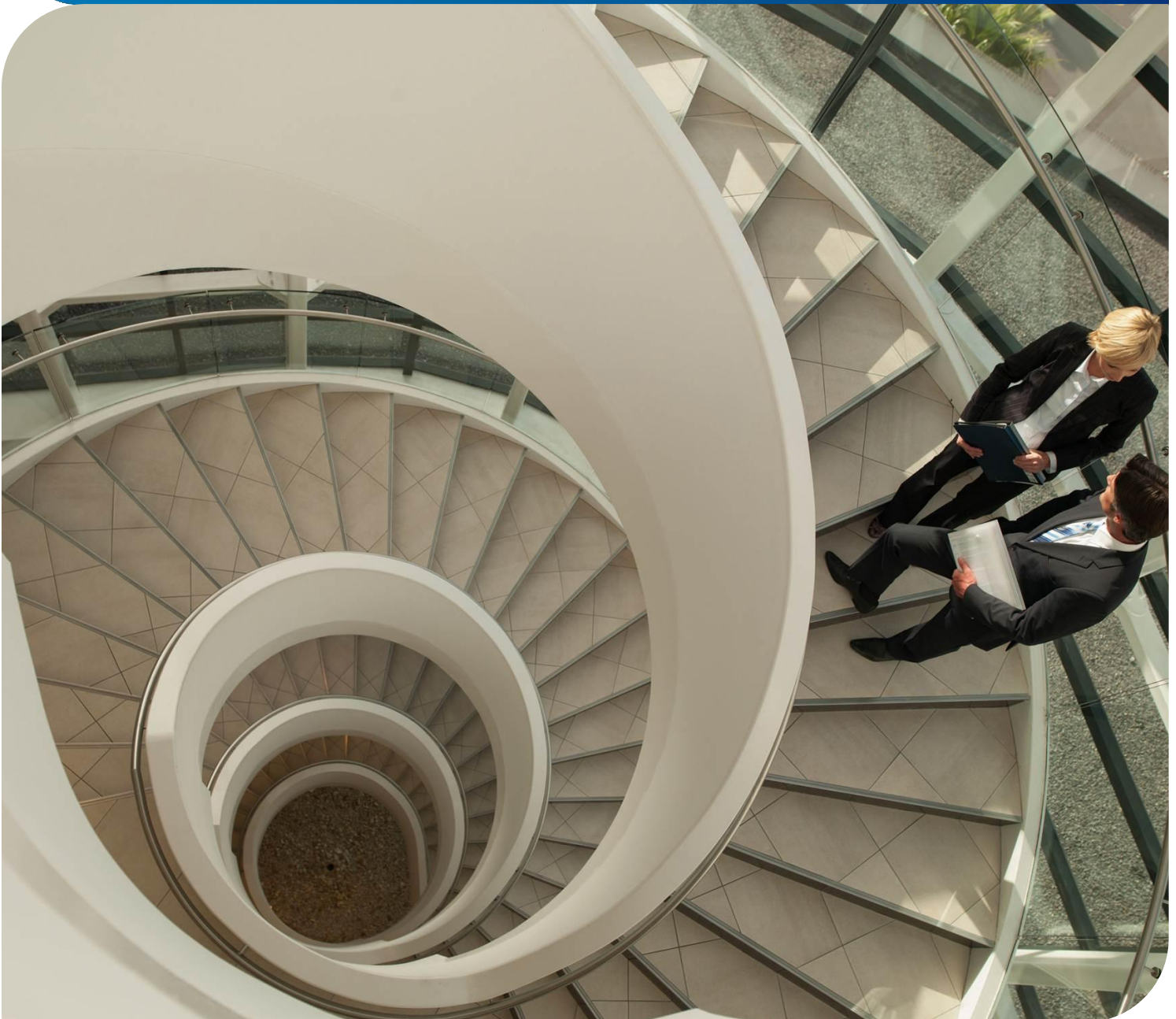


Giving Access to Private Markets to European Retail Investors

A Practical Q&A Guide for U.S. Sponsors

March 2026



An increasing number of U.S. asset managers are launching Luxembourg retail products. Below are the answers to the key questions they ask to navigate regulatory, structural, and distribution complexities.

1. At which point do U.S. sponsors turn to Luxembourg retail products to give access to private markets to retail investors?

U.S. private fund managers typically access the European investor market by establishing classic closed-ended Luxembourg vehicles, whether as feeder funds or parallel funds.

After operating several of these structures, some managers choose to diversify by launching Luxembourg evergreen products, particularly in the credit and infrastructure spaces, or vehicles designed for retail investor distribution.

That said, this progression is not universal. U.S. managers with a strong retail footprint in their home market may start their European strategy with a retail-oriented product or decide to introduce one early in their expansion.

2. Why Luxembourg for a European retail offering?

When launching a retail product for European investors, U.S. sponsors typically select Luxembourg for several reasons. First, Luxembourg offers a highly developed fund “toolbox” that provides structuring flexibility and allows sponsors to replicate, as closely as possible, the commercial terms and features used in their U.S. retail products.

Second, Luxembourg has built a mature and reputable retail-fund ecosystem and enjoys strong brand recognition among European retail investors.

Finally, many U.S. sponsors already maintain a Luxembourg presence and are therefore familiar with the financial regulator (the Luxembourg *Commission de Surveillance du Secteur Financier* – **CSSF**) and the local network of service providers, making the jurisdiction a natural choice from an operational standpoint.

3. Which U.S. sponsors usually gravitate to using retail products?

Retail fund structures are mainly used by sponsors that can offer relatively liquid strategies with moderate risk profiles and no pronounced J-curve. Credit and infrastructure strategies tend to dominate this segment.

This can generally be explained by the fact that retail structures typically offer liquidity to investors, with subscriptions and redemptions based on the net asset value (**NAV**) of the fund’s units. It means that the NAV needs to be drawn regularly, typically on a monthly or quarterly basis. Strategies that are sufficiently liquid, stable in valuation, and not subject to a J-curve are easier to price with accuracy, enabling the sponsor to strike a reliable NAV, which is a key for a successful retail product launch.

4. Who are “retail” investors in Europe?

Under European regulation, any investor who does not qualify as a *professional investor* is considered a retail investor. The European professional-investor threshold is significantly higher than comparable U.S. concepts such as the *qualified purchaser* or *accredited investor* standards. As a result, U.S. sponsors can generally assume that only institutional investors and large corporates will meet the European professional criteria; all other investors are treated as retail by default.

Individuals are automatically classified as retail investors, regardless of their net worth or investment size. They may request to be treated as professional investors, but this requires passing a suitability test to demonstrate sufficient experience and understanding of financial instruments.

U.S. sponsors sometimes assume that European private funds marketed as “retail products” are accessible to the entire European retail investor universe. In practice, however, these products are typically aimed at higher-end retail investors, often sourced through private banking networks and, increasingly, fintech distribution platforms. Most U.S. managers do not distribute their retail offerings directly but rely on intermediaries with established retail-investor coverage.

5. What are the default products used in Luxembourg to tap into the pool of retail money?

Luxembourg offers three main retail products to invest in private assets:

1. *Reserved alternative investment funds (RAIFs)* with a *European Long-Term Investment Fund (ELTIF)* label;
2. Undertakings for collective investments subject to Part II of the law of 17 December 2010 relating to undertakings for collective investments (**Part II UCI**); and
3. Part II UCI with an ELTIF label.

Most Luxembourg retail funds are corporate entities. Corporate entities are better known by unsophisticated retail investors to the comparison of limited partnerships typically better suited to sophisticated investors' needs.

6. What is a RAIF, and what is an ELTIF label?

A RAIF may adopt any legal form, whether partnership or corporate. Rather than being a standalone legal entity, the RAIF regime is a regulatory wrapper that can be applied to a wide range of Luxembourg vehicle types used for private investment funds. Because RAIFs are not subject to prior approval by the CSSF, they can typically be launched within a matter of weeks. The RAIF regime provides Luxembourg quasi-tax neutrality for funds organized as a company, which are preferred by unsophisticated retail investors.

The ELTIF label is a European regulatory label that grants access to a European-wide retail marketing passport, provided that target retail investors successfully complete a suitability assessment. The suitability test may be perceived as burdensome because it involves regulatory obligations, operational overhead, and may trigger potential delays in client onboarding. In practice, however, most ELTIFs are distributed through intermediaries, particularly private banks and, increasingly, fintech platforms, that rely on streamlined, digitized processes. For example, some neo-brokers use short, predefined questionnaires that investors can complete in just a few minutes.

The European retail passport effectively allows a manager to market to retail investors across the European Economic Area on the basis of a single registration in Luxembourg. It should be noted, however, that RAIFs require investors to qualify as well-informed. This threshold is significantly lower than that of a professional investor. For example, an investor who acknowledges their well-informed status and commits at least EUR 100,000 automatically qualifies. While this minimum investment level is generally manageable for high-net-worth individuals (**HNWIs**), it limits access to mass-market retail investors.

While the RAIF wrapper does not come with any material investment restrictions, the ELTIF wrapper generally excludes investments in non-European funds. As a result, RAIFs with an ELTIF label are not typically the default choice for U.S. sponsors entering the European retail market for the first time, especially because ELTIFs cannot invest in the sponsor's own U.S. products (see also Question 12).

RAIFs without an ELTIF label are widely used in a private fund context for various operational and strategic reasons, but they are rarely suitable for retail distribution. As such, the absence of a marketing passport, combined with their unregulated status, makes private placement registrations challenging or, in some jurisdictions, not feasible.

For more details on the ELTIF label, please also refer to our snippet series:

1. [ELTIF Snippet Series #1 ELTIF as a gateway to capital from EU HNWI | Loyens & Loeff](#)
2. [ELTIF Snippet Series #2 Pairing the ELTIF's with a Luxembourg fund label and selecting its legal form | Loyens & Loeff](#)
3. [ELTIF Snippet Series #3 Pairing the ELTIF label with Part 2 UCIs or RAIFs: Which regime is the best fit? | Loyens & Loeff](#)

4. [ELTIF Snippet Series #4 Picking the ideal legal form for your Luxembourg ELTIF | Loyens & Loeff](#)
5. [ELTIF Snippet Series #5 What you can \(and cannot\) invest in | Loyens & Loeff](#)
6. [ELTIF Snippet Series #6 Launching an ELTIF with an EU Host AIFM | Loyens & Loeff](#)
7. [ELTIF Snippet Series #7 ELTIF exposure to non-EU assets and fund-of-funds strategies | Loyens & Loeff](#)
8. [ELTIF Snippet Series #8 Luxembourg ELTIFs and EU REITs: Competing Paths to Real Estate Exposure in the EU? | Loyens & Loeff](#)
9. [ELTIF Snippet Series #9 Can ELTIFs effectively operate in fund-of-funds or side-by-side strategies? | Loyens & Loeff](#)
10. [ELTIF Snippet Series #10 Expanding your investor base in the UK – The LTAF as a feeder into Part 2 UCIs & ELTIFs explained | Loyens & Loeff](#)
11. [ELTIF Snippet Series #11 Luxembourg Retail AIFs – Navigating the CSSF's approval process | Loyens & Loeff](#)
12. [ELTIF Snippet Series #12 Investing in a Luxembourg ELTIF – tax incentives for EU retail investors | Loyens & Loeff](#)

7. What is a Part II UCI, and can it be combined with an ELTIF label?

Like a RAIF, a Part II UCI may adopt any legal form, whether partnership or corporate. The key distinction is that a Part II UCI is a fully regulated product, requiring prior authorization by the CSSF. As a result, its formation process is longer (see Question 8).

Part II UCIs benefit from Luxembourg's quasi-tax-neutral treatment. They do not have access to a European-wide retail marketing passport but they are subject to fewer investment restrictions than ELTIFs (see Question 12) and may invest in non-European funds. In practice, Part II UCIs are a common choice for U.S. managers seeking to channel European private wealth into their U.S. fund products.

Despite lacking a passport, distribution of Part II UCIs is generally straightforward. Because they are authorized by the CSSF, they can usually navigate local retail-marketing regimes across Europe with relative ease. Both European and non-European private-wealth channels are typically comfortable distributing Part II UCIs.

A Part II UCI - or one of its sub-funds (see Question 15) - may be topped up with an ELTIF label. In such case, the Part II UCI gains access to the European retail marketing passport, substantially simplifying cross-border distribution. Distributors often request that U.S. sponsors establish an ELTIF-labelled sub-fund for this reason. However, once the ELTIF label is applied, the ELTIF investment restrictions also apply (see Question 12).

8. What is the regulatory approval timeline?

Both ELTIF-labelled RAIFs and Part II UCIs require CSSF approval. For RAIFs, the ELTIF-label approval process generally takes around two months. By contrast, obtaining a dual approval for an ELTIF-labelled Part II UCI typically requires three to six months (see our [ELTIF Snippet Series #11 Luxembourg Retail AIFs – Navigating the CSSF's approval process | Loyens & Loeff](#) for reference).

9. Can the U.S. sponsor directly manage the European retail fund?

All three products must be managed by a European-authorized Alternative Investment Fund Manager (AIFM). Since most U.S. sponsors lack in-house European AIFM capabilities (see our snippet [Launching EU investment hubs: US Fund Managers: launching an in-house AIFM in Luxembourg | Loyens & Loeff](#) for reference), they typically appoint a European host AIFM to act as the fund's manager.

U.S. sponsors unfamiliar with this model often express concern that appointing a third-party AIFM means relinquishing control. In practice, however, the host AIFM model is long-established in Luxembourg, grounded in European legislation,

and used by sponsors of all sizes. Importantly, while the host AIFM is deemed the “manager” from a regulatory standpoint, the U.S. sponsor retains effective control of the fund. For example, the sponsor can replace the host AIFM if needed.

Under this arrangement, the host AIFM delegates the portfolio management function back to the U.S. sponsor. This concept can be confusing for U.S. sponsors. In the European regulatory context, “portfolio management” refers to making investment and divestment decisions for the fund, not to the broader operational efforts required to build or manage the fund’s assets. The host AIFM retains responsibility for risk management, oversight of the fund’s operations, and ensuring compliance with European regulation and the fund’s documentation.

10. What are the European target investors for these types of funds?

U.S. sponsors generally target HNWIs with their Luxembourg retail structures, rather than mass affluent retail investors directly.

11. What are the usual minimum ticket sizes for European retail funds?

The minimum investment amount is generally driven by a combination of Luxembourg regulatory expectations, market-access requirements, and commercial considerations. For a European retail product structured as a Part II UCI without an ELTIF label, the minimum ticket is typically set at EUR 25,000, which is largely driven by informal policies of the CSSF. However, in order to register the fund for marketing in certain European jurisdictions, this minimum often needs to be set at a higher level.

When a Part II UCI is combined with an ELTIF label, the minimum ticket is usually lower than EUR 25,000, as ELTIF passporting removes many of the marketing-related constraints that influence local minimum-investment thresholds across Europe.

Commercial factors may also justify a higher minimum ticket. Smaller individual investments can increase operational complexity and cost for the fund, leading managers and distributors to establish higher thresholds to maintain efficiency.

12. Can these products invest in U.S. assets?

All three structures, RAIFs with an ELTIF label, Part II UCIs, and Part II UCIs with an ELTIF label, can invest directly in U.S. assets. The ELTIF framework does not require a European-focused investment strategy. However, an important restriction applies: ELTIF-labelled funds cannot invest in non-European funds.

As a result, European sponsors, whose portfolios are often naturally European-centric, tend to adopt the ELTIF label more easily. By contrast, U.S. sponsors whose business models rely on investing into U.S. assets and U.S. fund structures generally prefer a non-ELTIF Part II UCI, which allows full access to their existing U.S. fund lineup.

13. What are the diversification rules for Luxembourg retail funds?

Part II UCIs marketed to unsophisticated retail investors (i.e., investors who are not considered well-informed) may not invest more than 25% of their net assets in a single asset, with the limit increasing to 50% for infrastructure assets.

When a Part II UCI is marketed exclusively to well-informed investors, these concentration limits increase to 50%, and up to 70% for infrastructure-focused strategies.

By comparison, ELTIFs are generally prohibited from investing more than 20% of their net asset value in any single eligible asset.

14. What are the leverage limits for Luxembourg retail funds?

Retail ELTIFs have a leverage cap of 150% of the NAV, which equals 33% of the exposure, which U.S. sponsors often consider relatively low.

A Part II UCI marketed to investors who are not well-informed may leverage its total exposure up to 70%, which is equivalent to an exposure cap of roughly 333% of NAV. When the fund is marketed solely to well-informed investors, this regulatory cap no longer applies.

However, open-ended loan-origination Part II UCIs are subject to a statutory leverage ceiling of 43% of total exposure, which translates into an exposure cap of 175% of NAV.

In practice, Part II UCIs tend to operate with more moderate leverage, commonly around 30% of total exposure, which represents an exposure limit of approximately 140% of NAV. Leverage in retail-oriented products should be approached cautiously, as retail investors generally expect stable, income-driven performance rather than strategies reliant on financial engineering.

15. Can these products offer multiple compartments and/or share classes?

Both RAIFs and Part II UCIs may be established as umbrella structures with multiple compartments, each pursuing its own investment strategy. Within each compartment, managers can offer a full range of share classes, enabling differentiation in terms of fees, currency exposure, distribution policy, and target investor segment.

These products are typically distributed through a variety of channels, including private banks, wealth platforms, and fintech distributors, and separate share classes are usually issued to grant separate rights to investors sourced through these different channels.

16. How do management fees vary across share classes?

Management fees are closely linked to the distribution channel and investor profile. Share classes sold through expensive distribution networks often include higher trail fees, which generally offset the management fee. As a result, share classes marketed to mass retail investors tend to have higher management fees compared to those aimed at HNWIs or professional investors. In practice, management fees typically range between slightly south of 1% on the low side and slightly south of 3% on the higher side.

17. Are performance fees common, and what are typical terms?

Performance fees are commonly applied in these structures. Market practice typically falls in the 10%–12.5% range, generally combined with a hurdle rate of 5%–7%. In some cases, a high-water mark mechanism is also used to ensure that performance fees are charged only on new, incremental gains.

The European authorities have published guidelines on performance fees that apply to open-ended European retail funds (except private equity and real estate funds). Compliance with these guidelines is generally not perceived as overly burdensome, but the economic model and its description in the fund documentation must be reviewed to ensure compliance.

18. Liquidity management tool: how to accommodate redemptions?

Retail products typically feature semi-liquid characteristics. To meet investor liquidity requirements, Part II UCI and ELTIF funds generally maintain a liquidity sleeve of approximately 15% to accommodate redemption requests.

If the fund qualifies as open-ended from a European perspective, the fund documentation must foresee at least two predefined liquidity management tools (**LMTs**) (see our snippet [US fund managers: Luxembourg open-ended private funds and liquidity management tools – New York office Snippet | Loyens & Loeff](#) for reference).

Open-ended funds often have redemption gates in place that limit the percentage of NAV that can be redeemed in a given period (e.g., 5% per quarter or 15% per year). The selection of other LMTs depend upon the asset class and the profile of the fund, as well as the types of investors. Most commonly used mechanisms are (i) extensions of notice periods that require investors to give notice of redemptions further in advance, (ii) redemption fees that discourage early redemptions exist, typically during lock-up periods (e.g., 1.5-2.5%), and in certain types of funds, (iii) the application of levies to protect remaining investors from transaction costs and dilution.

Under European law, all open-ended AIFs must also be able to suspend redemptions and to use side pockets where appropriate. These tools provide an additional layer of protection for investors when dealing with illiquid or hard-to-value assets.

If you have any questions on this topic, feel free to contact our colleagues below.

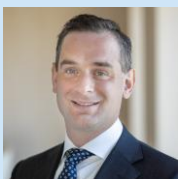
Frank van Kuijk

Partner

T +352 466 230 330

M +352 691 963 018

E frank.van.kuijk@loyensloeff.com



Marc Meyers

Partner

T +352 466 230 306

M +352 691 963 106

E marc.meyers@loyensloeff.com



Benjamin Hitzges

Senior Associate

T +1 212 471 9353

M +1 646 734 2080

E benjamin.hitzges@loyensloeff.com



Agata Szymoniak

Senior Associate

T +352 466 230 339

M +352 691 963 056

E agata.szymoniak@loyensloeff.com

