France Invest
Association des investisseurs pour la croissance

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France Invest's position paper on the Commission's proposal of a revised ELTIF Regulation

Executive summary

At the time, France Invest supported the creation of European long-term investment funds (ELTIFs): our members saw it as an opportunity to encourage investors to commit their capital for the long term. Indeed, private equity is a long-term investment: the average length of an investment into companies is around 6 years. However, we believe that ELTIF has not fulfilled its ambitions and therefore welcome the Commission's proposal.

France Invest supports the enhancements to the ELTIF regime proposed by the Commission

France Invest strongly supports the general objective to foster investments in companies and long-term investment projects. We agree that effective tools are needed to channel savings towards long term investments and are convinced that the enhancement of the ELTIF vehicle will contribute to smart, sustainable and inclusive growth.

In particular, we welcome the Commission's proposals which remove key limitations on the supply side and, more specifically, **make the structuration of ELTIFs more flexible**, for instance by enlarging the assets eligible, and allow them to **invest into funds other than ELTIFs, EuVECAs and EuSEFs** - even though we suggest enlarging this possibility to build funds of funds - as well as the possibility to **structure master-feeder funds**. We also welcome eased operating conditions, in particular the **removal of the ban on co-investment**, the facilitated **use of borrowed funds** and **alleviated requirements for ELTIFs marketed exclusively to professional investors**.

We also welcome amendment proposals relating to the demand side which aim at broadening investor access to ELTIFs, in particular the adaptation of the **transparency requirements** to the type of investors concerned and the **removal of requirements regarding the marketing of ELTIFs to certain retail investors**. We also support the **deletion of the obligation to have "facilities"** in each Member State and of the obligation to advise investors that only a small proportion of their overall investment portfolio should be invested in an ELTIF. Besides, we are not against the **removal of the minimum entry ticket** into ELTIFs.

France Invest would like to propose some enhancements to the Commission's proposal

We propose **clarifying the definition of feeder and master funds** to cover both legal forms of funds and **removing the requirement to keep a central public register of ELTIF documentation** in order to preserve confidentiality. We also suggest **pushing back the application date** of the revised Regulation and introducing a **grandfathering provision** for existing ELTIFs.

France Invest suggests additional improvements to the ELTIF regime

In addition to these much-welcomed amendments, we urge the co-legislators to further enlarge the assets eligible to ELTIFs' portfolios: most importantly, we call for ELTIFs to be allowed to **invest in financial undertakings as well as non-EU funds** and for the **limit on investing in other ELTIFs, EuVECAs and EuSEFs to be increased to 100% also for retail investors**.

We are also in favour of a further reduction of the demand side barriers to investment in ELTIF. More specifically, we suggest **enlarging the category of professional investors as per the EuVECA Regulation**, in order to include high net worth and/or sophisticated individuals and family offices.

In our view, a **more harmonised implementation** of the Regulation by Member States is needed: the effectiveness of the ELTIF framework should not be impaired by national legislation

Last, we would like to take this opportunity to reiterate our call for **enhancing the general attractiveness of the ELTIF framework for investors**, by making the prudential requirements applicable to institutional investors (e.g. pension funds and insurance companies) more appropriate to ELTIFs' long-term equity investment horizon and introducing an attractive tax regime and enhancing retail investor education with regards long term investments.

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1. France Invest supports the improvements to the ELTIF regime proposed by the Commission

a. From a general standpoint, France Invest welcomes the Commission's proposal which aims at promoting the development of ELTIFs

France Invest supports the EU's objective of ensuring sustainable and adequate long-term financing in Europe. More specifically, we believe that the European Long Term Investment Fund (ELTIF) regime can contribute to the Capital Markets Union (CMU)'s goal to foster investments in companies and long-term investment projects and to take part to smart, sustainable and inclusive growth. In particular in a (post) health crisis period, we are of the opinion that **investments by ELTIFs in innovative technologies, green, sustainable and/or climate related projects, post-COVID 19 recovery related projects, financial assets with long term maturities, digital assets and infrastructure and energy should be encouraged.**

In our view, the ELTIF framework can contribute to the channelling of investments towards long term projects, and ELTIFs are an opportunity to encourage investors to commit their capital for the long term. In other words, the development of ELTIFs as an attractive investment vehicle can both help underpin the economic recovery in Europe and allow a wider investor base to participate in the upsides of that economic growth.

The venture capital and private equity industry is a substantial long-term investor in Europe's real economy - the average length of an investment into companies (the "holding period") is around 6 years. Against this background, France Invest strongly supports the objective to build a world-leading label for long-term investment, offer investors more investment opportunities in critical real economy areas and improve the access to funding for SMEs.

In our members' view, the main benefit of ELTIFs is to reach sophisticated investors: any direct retail access appears to be on the lower end of the agenda from a pure venture capital and private equity perspective. In any case, it should be noted that ELTIFs are distributed to retail investors mostly through intermediaries.

b. France Invest supports the Commission's proposals which make the structuration of ELTIFs' portfolios more flexible

Alleviating the burden on ELTIF managers and allowing more flexibility with respect to portfolio composition and diversification, in particular in respect of non-listed assets, will allow them to offer a wider range of products to investors.

i. France Invest welcomes the option to structure ELTIFs as master-feeder funds (article 2.20 and 20.21)

We warmly welcome the Commission's proposal to allow ELTIFs to structure as master-feeder funds. This increased flexibility regarding the structuring of ELTIFs is very much appreciated.

ii. France Invest welcomes the option for ELTIFs to invest into other funds (article 10.d)

We believe that allowing ELTIFs to invest into funds other than ELTIFs, EuVECAs and EuSEFs will enable investors to benefit from more diversified investments, including infrastructure, non-listed companies and other long-term assets. Indeed, funds are often set up based on the specific expertise of the teams which manage them. ELTIFs are likely to be focused in their investment behaviour on specific assets/geographical regions and hence, diversification into other assets/areas helps to reduce risk. This is especially important for retail investors.

The 40% limit on the aggregate value of these funds, set out in article 13, should however apply regardless the type of investors to which ELTIFs are marketed in order to allow for full fund of funds structures to be marketed to also to retail investors (please see hereafter).

In addition, we believe that **ELTIFs should be allowed to invest in non-EU funds** (please see hereafter).

iii. France Invest welcomes the option for ELTIFs to invest directly into real assets with a value of at least EUR 1bn (article 10.e)

This option offered to our members will allow them to further contribute to the financing of the real economy.

iv. France Invest welcomes the increased limitation on the size of listed company (from EUR 500m to EUR 1 bn) (article 11.1.c)

This amendment will avoid having to exit successful investments when they reach a larger size. In particular, this will help promoting investment strategies that focus on young innovative companies.

v. France Invest welcomes the increased limitation to invest the ELTIF's capital in a same company (article 13)

We welcome the increase from 10% to 20% of the limit on the investments of an ELTIF's capital in a same company, real asset or fund.

c. France Invest supports an increased flexibility regarding the operating conditions of ELTIFs

i. France Invest welcomes the removal of the ban on co-investment (article 12)

ELTIFs are managed by AIFMs which are subject to the **AIFMD rules on conflicts of interests**, as well as to extensive soft law requirements.

We believe that an ELTIF manager should be allowed to manage two different funds which are invested in a same asset, either through equity or debt (so that the interests of investors in the two funds are aligned). For example, it should be allowed for an ELTIF to invest in the same company as an AIF which is set up by the AIFM in order to fulfil the specific needs of an investor.

Furthermore, managers should be allowed to invest some seed money or initial capital into an ELTIF, alongside other investors. Investment by managers in the funds they manage delivers an alignment of interest and is regarded by professional investors as one of the strongest protections.

Last, co-investment will probably prove useful in a post crisis context whereby vast projects will have to be financed and will allow to dilute risks.

ii. France Invest welcomes the eased use of borrowed funds for the purposes of managing liquidity, subscriptions and the financing of assets in the investment portfolio (article 16.1.a)

We would like to highlight that venture capital and private equity funds are closed-ended funds, which are often structured as limited partnerships. Institutional and sophisticated investors make a contractual, binding commitment to the fund, which is drawn down when needed, to be invested in businesses. As such, they are not typically leveraged and do not use leverage as that term is normally used at the level of the fund. Besides, ELTIF managers are AIFMs, subject to the AIFMD, which includes provisions on leverage.

In this context, we welcome the clarification that **borrowing facilities (or capital call facilities) that are fully backed by undrawn commitments of investors are not considered to be leverage or borrowing of cash** within the scope of Article 16.1 of the ELTIF Regulation. Indeed, ELTIF should be allowed to use a borrowing facility to manage cash flows from investors in the funds. In fact, such borrowing does not increase investors' exposure by allowing the fund to invest more than its committed capital - i.e. it is not leverage - because the amount of borrowing is covered by commitments from investors that have not yet been called. In other words, the use of such borrowing facility should be seen as a tool of treasury management, not a source of additional risk.

iii. France Invest welcomes the clarification on the starting date of the cooling off period offered to retail investors (article 30.8)

This clarification is welcome. However, **we would prefer if this cooling off period was removed: the provision on the withdrawal period of two weeks is too difficult to manage in practice**.

In any case, the definition of the **cooling off period should be clarified**, as follows:

Retail investors shall be able, during the subscription period and **during a period of two weeks** ~~at least two weeks~~ after the effective date of the commitment or subscription agreement of the units or shares of the ELTIF, to cancel their subscription and have the money returned without penalty.

d. We welcome the adaptation of transparency requirements to the type of investors concerned (article 5.5.b, article 13.8, article 15, article 16 and article 23.5)

We agree that transparency requirements allow investors to make informed investment decisions. However, **these requirements should be adapted to the different types of investors, retail or institutional**. In other words, if additional safeguards to marketing to retail investors may be appropriate, transparency requirements in relation to professional investors are not adequate and should be alleviated. Against this background, we support alleviated disclosure requirements for ELTIFs marketed sophisticated investors only.

Further, we support an **adaptation of cost disclosures depending on the type of investors concerned**. Indeed, cost disclosure is ill-suited to professional investors in stipulating the need to inform investors of the precise costs of an ELTIF. Moreover, it is difficult to determine an overall ratio of the costs to the capital of an ELTIF at the outset of its life, as these costs can change during its life. A more feasible and appropriate disclosure requirement for professional investors would see costs stated as a maximum amount.

i. In particular, France Invest welcomes alleviated requirements for marketing ELTIFs to certain retail investors (article 30.3)

We strongly support that **the requirements for marketing ELITFs to retail investors do not apply when the retail investor is a member of senior staff, portfolio manager, director, officer, agent or employee of the manager or of an affiliate of the manager and has sufficient knowledge about the ELTIF concerned**.

e. France Invest supports broader investor access to ELTIFs

i. We welcome the removal of the requirement for ELTIF managers to advise investors that only a small proportion of their overall investment portfolio should be invested in an ELTIF (Article 23.4.f)

These provisions require more disclosure to investors and increase the costs of the ELTIF therefore we welcome their removal.

ii. France Invest strongly supports the removal of the requirement to have "facilities" in each Member State for making subscriptions, making payments to unitholders or shareholders, repurchasing or redeeming units/shares and making information available (article 26).

We regard it as being sufficient to have such a facility only in the relevant ELTIF's home Member State (and consistent with the cross-border provision of financial services in an internal market). Removing the local facilities requirement from the ELTIF Regulation is consistent with broader policy towards the distribution of retail funds across Europe.

iii. We are not against a decrease in the minimum entry ticket (article 30)

The aim of making ELTIFs available to retail investors to channel their savings towards long term savings is laudable, and we agree that an appropriate level of protection of retail investors should be ensured. However, in the end, the too burdensome and costly constraints weighing on ELTIFs (at EU level and at national level) result in an eviction of retail investors. It should be highlighted here that ELTIFs are distributed to retail investors mostly through intermediaries, which adds a layer of costs. Moreover, it seems that ELTIFs are not well understood by retail investors and that their education on long term investment should be enhanced.

In this context, **we are not against lowering of the minimum entry ticket for retail investors** to allow the participation from a wider range of investors, **provided this does not imply overly burdensome obligations**.

2. France Invest proposes to enhance some of the changes proposed by the Commission

a. We suggest clarifying the definition of feeder and master funds (article 2 paragraph 20 and paragraph 21)

In order to take into account **both legal forms** of funds we suggest rewriting the definitions of feeder and master funds as follows:

20) 'feeder ELTIF' means an ELTIF, or an investment compartment thereof, which has been approved to invest at least 85 % of its assets in units **or shares** of another ELTIF or investment compartment of an ELTIF;

(21) 'master ELTIF' means an ELTIF, or an investment compartment thereof, in which another ELTIF invests at least 85 % of its assets in units **or shares** of another ELTIF or investment compartment of an ELTIF.

b. The requirement to keep a central public register of ELTIF documentation should be removed (article 3 paragraph 3)

The Commission proposes ESMA to keep a central public register identifying for each ELTIF authorised up to date links to the ELTIF documentation (article 3.3.k).

While this requirement is perfectly logical for fund managers which market products to the wider public, it is worth pointing out that **professional ELTIFs will not disclose their product information to the public, if only for confidentiality reasons**. Forcing them to present such information would therefore not make sense.

We suggest removing the requirement to keep a central public register of ELTIF documentation:

~~(k) up-to-date links to the ELTIF documentation, including to the rules or instruments of incorporation of the ELTIF, the annual reports, the prospectus and, where available, the Key Information Document;~~

c. The application date of the revised Regulation should be pushed back (article 38)

The application date should be set **18 months after date of entry into force** to ensure sufficient time for adaptation of national rules. In addition, existing ELTIFs (long-term funds with illiquid assets) should be exempted from the new rules and benefit from a **grandfathering provision**.

We suggest rewording as follows:

It shall apply from **[entry into force + 18 months].**

ELTIFs established before the entry into force of the present regulation shall not have to comply with its provisions.

3. France Invest suggests additional improvements to the ELTIF regime

a. France Invest calls for extending the category of "professional investors" (article 2)

In our opinion, the restrictive definition of "professional investors" and the availability to retail investors have hampered the development of ELTIFs.

Venture capital and private equity funds admit as investors a number of high net worth and/or sophisticated individuals who have extensive experience that provides them with a sophisticated understanding of the specificities of investing into ELTIFs. These investors are however treated as retail investors as per MiFID2. In addition, members of the management team should be eligible to professional status.

Therefore, we propose extending the category of "professional clients" and allow high net worth and/or sophisticated individuals and family offices who have extensive experience and sophisticated understanding of the specificities of investing into AIFs to choose to be treated as professional clients. More precisely, we propose to **replicate the categorisation set out in article 6 of the EuVECA Regulation** and include other investors that commit to investing a minimum of EUR 100 000.

We therefore propose introducing in article 2 a definition of professional investor, as follows:

(22) 'professional investor' means, for the purpose of this Directive, an investor:

- **which is considered to be a professional client or may, on request, be treated as a professional client within the meaning of Annex II to Directive 2014/65/UE;**
- **which has committed to investing a minimum of EUR 100 000; and stated in writing, in a separate document from the contract to be concluded for the commitment to invest, that they are aware of the risks associated with the envisaged commitment or investment; or**
- **which is a member of senior staff, portfolio manager, director, officer, agent or employee of the manager or of an affiliate of the manager and has sufficient knowledge about the AIF concerned.**

b. We propose further enlarging the assets eligible to ELTIFs' portfolios

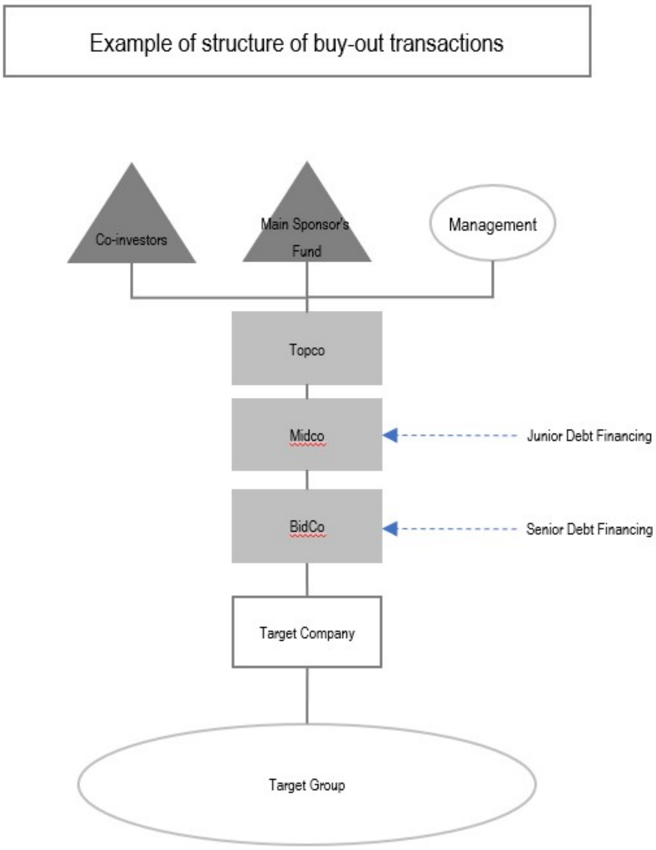
i. We reiterate the need for ELTIFs to be allowed to invest in financial undertakings (article 2 paragraph 7)

In our opinion, the slow uptake of ELTIFs in the venture capital and private equity sector is mainly due to the scope of eligible investments, which does not include financial undertakings other than "financial undertakings that exclusively finances qualifying portfolio undertakings referred to in paragraph 1 of this Article or real assets referred to in point (e) of Article 10".

Indeed, very often, long term assets need to be acquired, and their subsequent holding structured, using holding companies, as **several different layers/groups of investors/shareholders with differing rights could be invested in the underlying asset alongside an ELTIF**. Intermediate financial undertakings are thus put in place to manage different guarantees, corresponding to different risk levels, with a view to meet institutional investors' constraints in terms of risk management.

Moreover, such financial undertakings also **allow access to assets while isolating financial risk for investors**. For example, ELTIF managers are keen to provide finance to large infrastructure projects without the danger of putting the entire ELTIF at wider risk of incurring liabilities, should that project perform unfavourably. This ensures additional investor protection and potentially higher returns.

Please see below an example of a structure of a buy-out transaction:



The fund undertakes the buyout of a target company through three levels of companies as follows: (a) a top company which receives funding in the form of equity subscription from the fund and from any co-investors invited to invest in the company (Topco); (b) a company which receives debt funding from one or more different sources (Midco); and (c) a company which purchases the target (Bidco).

Ultimately, the choice of the corporate structure used when undertaking a buyout is driven by multiple factors, including: (a) the tax requirements of the funds and the managers; (b) the size of the deal (for instance, on smaller deals a simple buyout structure is often used with only one company); (c) the requirements of the banks (on deals with multiple layers of debt, banks may require that the senior debt is lent to Bidco so that the junior debt is structurally subordinated to the senior debt).

While not every ELTIF will engage in this route, we believe that it is a highly valuable tool to have in the investment kit of the ELTIF manager and should not be prohibited, especially post health crisis, as it can be expected that investors will have to gather in order to finance vast projects. In other words, the derogation set out in article 11 paragraph 2 should be enlarged so that ELTIFs may invest in financial undertakings other than "financial undertakings that exclusively finances qualifying portfolio undertakings referred to in paragraph 1 of this Article or real assets referred to in point (e) of Article 10"; this would indeed lift a significant hindrance to the creation of ELTIFs by our members.

We suggest rewording paragraph 7 of article 2 as follows:

(7) 'financial undertaking' means any of the following:
(a) a credit institution as defined in point (1) of Article 4(1) of Regulation (EU) No 575/2013 of the European Parliament and of the Council (1);
(b) an investment firm as defined in point (1) of Article 4(1) of Directive 2014/65/EU;
(c) an insurance undertaking as defined in point (1) of Article 13 of Directive 2009/138/EC of the European Parliament and of the Council (2);
(d) a financial holding company as defined in point (20) of Article 4(1) of Regulation (EU) No 575/2013;
(e) a mixed activity holding company as defined in point (22) of Article 4(1) of Regulation (EU) No 575/2013;
(f) a management company as defined in point (b) of Article 2(1) of Directive 2009/65/EC;
(g) an AIFM as defined in point (b) of Article 4(1) of Directive 2011/61/EU.

ii. We suggest allowing ELTIFs to invest in non-EU funds (article 10).

Provided that the ELTIF overall objective is met (funds channel long-term investments in the EU real economy), and that the fund manager is operating under AIFMD rules, it should not matter that fund-of-fund managers invest in funds that are not based in the EU.

We suggest rewording as follows:

(d) units or shares of one or several other ELTIFs, EuVECAs, EuSEFs, UCITS and ~~EU~~ AIFs managed by EU AIFM provided that those ELTIFs, EuVECAs, EuSEFs¸ UCITS and ~~EU~~ AIFs invest in eligible investments as referred to in Article 9(1) and (2) and have not themselves invested more than 10% of their assets in any other collective investment undertaking.

iii. We call for the limit on investing in other ELTIFs, EuVECAs and EuSEFs to be increased to 100% also for retail investors (article 13.3).

In our opinion, the limit on investing in other ELTIFs, EuVECAs and EuSEFs, UCITS and AIFs should be removed regardless of the type of investors the ELTIF is marketed to. This would allow retail investors to benefit from a **better spreading of risks** thanks to greater cross-asset class exposure. Funds of funds also typically have lower volatility than direct investing funds.

It would also result in **more opportunities to provide returns** to investors during the life of the fund as ELTIFs would be invested in more diversified and numerous underlying assets. Indeed, funds of funds managers are experienced in selecting and monitoring the appropriate underlying funds while this type of investment also offer an additional layer of screening (as managers of underlying funds already conduct research on initial investments).

The implied layering of fees may curb performance but are justified by the value-added service provided by fund of fund managers. In any case, fees should be disclosed to investors with the appropriate level of transparency.

Last, particularly in the context of fully paid-in capital structures, granting accessibility to fund-of-fund strategies (at least during the portfolio ramp-up period) would mean that asset managers could invest on a broader basis in other funds, allowing for **faster deployment of capital**.

We suggest removing this requirement:

~~**3. The aggregate value of units or shares of ELTIFs, EuvECAs, EuSEFs, UCITS and of EU AIFs managed by EU AIFM in an ELTIF portfolio shall not exceed 40 % of the value of the capital of the ELTIF.**~~

iv. For funds of funds, we suggest easing the requirement to invest 70% of capital in eligible investment assets within 5 years of authorisation or half the life of the ELTIF (article 17)

The requirement to invest 70% of capital in eligible investment assets within 5 years of authorisation or half the life of the ELTIF, whichever is earlier, could be problematic for fund-of-funds (FoFs).

While fund-of-funds will typically make investment commitments to underlying portfolio funds during the first five years of the life of the ELTIF, the pace of investment activity by the underlying portfolio funds (when capital is actually contributed to underlying investments) typically would occur between years 1-8 of a traditional fund of funds.

To reflect this, Article 17 should be amended to ensure that the limit is pushed to 10 years for FoFs ELTIFs to better reflect their typical investment plans, as follows:

The date referred to in point (a) of the first subparagraph shall take account of the particular features and characteristics of the assets to be invested by the ELTIF, and shall be:

1) **for directly held assets**, no later than either five years after the date of the authorisation as an ELTIF, or half the life of the ELTIF as determined in accordance with Article 18(3), whichever is the earlier.
2) **for assets held indirectly through funds, no later than either ten years after the date of the authorisation as an ELTIF, or half the life of the ELTIF as determined in accordance with Article 18(3), whichever is the earlier.**

v. **More generally, we believe that rules on portfolio composition and diversification should not apply at the beginning of the life of an ELTIF nor towards the end of its life**

c. France Invest calls for a more harmonised implementation of the Regulation by Member States: the effectiveness of the ELTIF framework should not be impaired by national legislation

A reason explaining the slow uptake of ELTIFs may be related to the layering of obligations (AIFMD, ELTIF Regulation and national requirements applicable to the fund, in particular in France). Indeed, this implies a layering of costs, which are in turn borne by investors.

Despite the ELTIF Regulation having direct effect in each Member State, a number of national competent authorities have in practice imposed additional local requirements for distribution to retail investors. Satisfying multiple cross-jurisdictional marketing registration and notification procedures substantially increases time to market, costs for investors and burden on fund sponsor. We recommend disallowing the imposition of additional local rules. Compliance with the ELTIF Regulation should be deemed sufficient to begin distributing the product in each jurisdiction.

The passport attached to ELTIFs aims at tapping the potential benefits of the EU single market and raise money from investors across Member States. However, to fulfil this objective, such passporting regime should be applied consistently throughout the EU, which is not the case currently. Despite the ELTIF Regulation having direct effect in each Member State, a number of national competent authorities have in practice imposed additional local requirements for distribution to retail investors. Satisfying multiple cross-jurisdictional marketing registration and notification procedures substantially increases time to market, costs for investors and burden on fund sponsor. **We recommend disallowing the imposition of additional local rules**. Compliance with the ELTIF Regulation should be deemed sufficient to begin distributing the product in each jurisdiction.

d. France Invest suggests enhancing the general attractiveness of the ELTIF framework for investors

vi. **The prudential requirements applicable to institutional investors should be made appropriate to ELTIF's long-term equity investment horizon**

In our view, one of the main reasons explaining the slow development of ELTIFs is that investment into ELTIFs by institutional investors is constrained. We believe that one of the main improvements required to make ELTIFs a success is to make the prudential requirements applicable to institutional investors (e.g. pension funds and insurance companies) appropriate to the long-term equity investment horizon of ELTIFs. For instance, the explicit recognition of ELTIFs in Solvency 2 should encourage insurers' uptake in ELTIFs.

For example, the method of calculation of the solvency capital requirements of insurance and reinsurance undertakings, as set out in Delegated Regulation (EU) n° 2017/1542 of 8 June 2017, is based on an aggregation of all of the individual assets they hold. This method does not seem appropriate as, in practice, management companies do not know the complete breakdown of assets in the portfolios of these insurance or reinsurance undertakings.

Fostering the use of the ELTIFs in unit-linked insurance products would be a way to widen the retail investor base further, as in most cases the distribution of ELTIFs to retail investors is intermediated.

vii. An attractive tax regime for ELTIFs should be introduced

The absence of an **appropriate tax regime to compensate for the long term and illiquid nature of the investments of ELTIFs** is a significant hindrance to their development. We believe that Member States should introduce tax incentives to encourage investors to commit their savings into ELTIFs.

viii. Education of retail investors on long term investments should be enhanced

Venture capital and private equity funds are closed ended funds which have a life cycle limited in time, between 10 to 15 years. In general, they invest in illiquid assets. It is extremely difficult to allow for any form of redemption at the election of investors within a closed ended vehicle targeting illiquid investments. The vehicle would need to carry significant balances of liquid assets in order to manage the liquidity. This would in and of itself drag performance of the ELTIF and defeat the purpose of encouraging investment in illiquid asset classes.

Investors are well aware that their investments are locked over this period, even though French retail venture capital and private equity funds can provide redemption rights in specific cases of misfortune (death, unemployment, illness…).

In this context, it might be helpful to **better educate investors about the inherently illiquid nature of ELTIFs** and explain that investing in such funds implies patience.

About France Invest

Established nearly 40 years ago, France Invest brings together venture capital, private equity, infrastructure and private debt teams based in France, as well as the associated professions which support them. Its membership currently counts 340 management firms and 170 associate members.

Venture capital and private equity support unlisted companies for a fixed period of time and provides them with the equity capital, through the acquisition of minority or majority stakes in their capital, needed to finance growth and transformation projects. It supports the creation of start-ups (venture capital), participates in the growth and transformation of many regional SMEs and mid-caps (growth capital) and contributes to the transfer of companies (replacement capital).

France Invest's members represent one of the main growth drivers for the French and European economy and support a significant portion of employment in France and Europe. In 2020, French private equity and infrastructure players invested €23.1 billion in 2,150 companies and infrastructure projects. They raised €23.5 billion from investors, a third of which at international level, which will be invested over the next 5 years. In addition to that, private debt players (structures financing companies and infrastructure projects) invested €8.1 billion in 209 transactions and raised €7.7 billion that will finance new transactions in the coming years. European companies, in particular start-ups and SMEs, are the main recipients of these investments. In 2019, companies backed by French venture capital and private equity created 56,000 jobs.

In particular, during the pandemic, the venture capital and private equity industry has demonstrated its adaptability, supporting existing portfolio companies as and when needed, while continuing to invest in new businesses that require capital and operational expertise to grow.