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Private Equity 2026

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Luxembourg: Trends and Developments

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Trends and Developments

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Private equity plays a crucial role within the Luxembourg finance and fund industry with Luxembourg becoming increasingly attractive for institutional and professional investors. More recently, the asset class has also started to open up to retail investors via private equity funds set up as Part II Funds under the Law of 17 December 2010 (the "2010 Law") and, above all, via the European Long-Term Investment Fund (ELTIF) 2.0 regime. This shift has been reinforced by the ongoing modernisation of the Luxembourg fund toolbox and is expected to gain further momentum from the EU Retail Investment Strategy, agreed by the Council and the European Parliament in December 2025.

Luxembourg is a well-recognised financial centre and the number one domicile for investment funds within Europe. Sponsors, investment managers and investors from Europe, the USA and Asia use Luxembourg to structure their investments and vehicles.

As at 30 April 2026, the net assets of regulated Luxembourg undertakings for collective investment (UCIs), which includes UCITS funds governed by the 2010 Law, Part II Funds, specialised investment funds (SIFs) and investment companies in risk capital (SICARs), stood at more than EUR6,436 billion. Taking regulated and unregulated vehicles together, the total assets under management (AuM) of Luxembourg-domiciled funds reached a record of around EUR8,2 trillion at the end of 2025, surpassing EUR8 trillion for the first time.

Luxembourg investment funds are distributed in more than 79 countries with a main focus on Europe, Asia, Latin America and the Middle East. Around a quarter of Luxembourg's AIF market is made up of private equity funds, and this market share is steadily growing, such that private equity leads the market share of AIFs in Luxembourg based on the assets under management (AuM). Private equity-specific AuM stood at around EUR155.9 billion at the end of 2024, reflecting steady year-on-year growth of approximately 2.5%. According to Preqin, Luxembourg is the domicile of more than half of all European private equity and venture capital funds. It is expected that private equity will even be the primary driver of growth with regard to managed asset classes from the perspective of Luxembourg alternative investment fund managers (AIFMs) and management companies.

One has to be aware that, until around 20 years ago, private equity involved the acquisition of participation in unlisted industry groups, and their development and on-sale after a few years. However, in the last 20 years, private equity providers have also established other business lines like credit funds, infrastructure funds, real estate funds and other alternative asset classes. Hence, the term "private equity" in a broader sense refers to all these business lines.

The Merits of Luxembourg

The growth of private equity investments in Luxembourg is a consequence of several key advantages of Luxembourg compared to other jurisdictions.

Flexible company law and fund structures

Luxembourg offers a wide range of fund and company structures to the private equity industry. The flexible company and investment fund laws in Luxembourg allow private equity funds and investments to be structured in accordance with investors' needs. The most important fund and company structures (regulated and non-regulated) for private equity funds are:

- the reserved alternative investment fund (RAIF);
- the specialised limited partnership (SCSp) or the limited partnership (SCS);
- the investment company in risk capital (*société d'investissement à capital risque*; SICAR); and
- the specialised investment fund (SIF).

All those fund and company types enable investments in different asset classes like private equity.

The SIF, as the past standard structure, is authorised and supervised by the Luxembourg financial supervisory authority (*Commission de Surveillance du Secteur Financier*; CSSF) in the context of private equity investments, in accordance with diversification rules.

The SICAR is especially intended for private equity investments, as it requires an investment in risk capital. Introduced in 2004, the purpose of the SICAR is to collect funds from well-informed investors who are aware of the risks in order to develop the acquired target company. Risk diversification rules do not apply to SICARs.

The RAIF has been one of the preferred vehicles for private equity structures (besides the SCSp) since its introduction in 2016. It is structurally similar to the SIF but is not authorised or supervised by the CSSF. This enables a simplified process and a shorter time to market in comparison with the SIF and SICAR. However, a RAIF needs to appoint a fully authorised AIFM for its supervision. The RAIF allows a swift and more cost-efficient launch and is very well-known by foreign fund promoters and investors.

The Luxembourg legislature regularly reviews the applicable provisions for fund structures and aims to adapt them to the current market situation – eg, by decreasing the minimum investment threshold for well-informed investors in RAIFs and SIFs to EUR100,000 (previously EUR125,000) in July 2023, which lowered the barrier to access for these fund products. More recently, the revised Alternative Investment Fund Managers Directive (AIFMD II) was transposed into Luxembourg law by the law of 3 March 2026, further refining the rules applicable to AIFMs, including in relation to delegation, liquidity management and loan origination. In December 2025, the Luxembourg financial regulator CSSF published Circular 25/901 (the "Circular") which simplified the risk diversification rules applicable to SIFs and RAIFs: A newly established SIF or RAIF can invest up to 50% (previously 30%) of its assets in a single target, thereby providing greater flexibility for fund investments. Part II funds may invest up to 25% (previously 10% and 20%) of their assets in a single target. The Circular also explicitly addresses ramp-up periods during which a fund is not required to comply with the risk-diversification rules for up to five years following its launch. Furthermore, wind-down phases occurring at the end of a fund's investment period or duration have now been set out in writing in the Circular.

Funds pursuing a private equity strategy may, for example, also be established as semi-liquid funds that are closed-ended funds that nonetheless offer investors certain redemption and liquidity windows from time to time or as open-ended evergreen funds which have no fixed end date and provide investors with periodic redemption windows. Both structures are becoming increasingly popular.

Limited partnerships and other regimes/forms

In addition to the different AIF fund types, Luxembourg company law offers company forms that can be organised in accordance with the specific needs of the parties involved (general partners, limited partners, etc).

Private equity investors and managers have a strong preference for unregulated partnerships, namely the limited partnership (*société en commandite simple*; SCS) and the specialised limited partnership (*société en commandite spéciale*; SCSp). Both company types refer to the organisation of partners, with the general partner managing the company as well as the limited partners. The SCSp has no legal personality, is very popular and attracts UK and US investors – as it is similar to the English limited partnership. These company types are tax transparent and can be interesting for tax-exempted investors.

AIFs can only be set up in the form of an SCS or SCSp, without the RAIF or SIF structure. In this form, they are more straightforward and quicker to set up for private equity fund structures, which have been preferred by private equity investors of late. The SCS and SCSp benefit from the flexible Luxembourg company law, as there are only a few mandatory provisions applicable to these partnerships. Additionally, the SCS and SCSp can be set up under private seal without the involvement of a notary. SCS and SCSp can also be the matching vehicle for sub-threshold AIFs: Such AIFs are investment funds with a lower amount of AuM that are not covered by the AIFMD and therefore, they can benefit from less strict fund rules. Nevertheless, if the partnership shall have several compartments and different investment strategies, the SCS or SCSp can be combined with a RAIF or SIF fund structure.

As a specific fund type, the European long-term investment fund (ELTIF), based on Regulation (EU) 2015/60, was introduced in 2015 and amended by Regulation (EU) 2023/606 (the "ELTIF 2.0"). ELTIFs create opportunities for retail investors to invest in alternative asset classes on a long-term basis, like private equity, venture capital and other real assets. ELTIFs can be combined with either the SIF or RAIF framework, as well as with the Part II Fund structure, which is accessible to all retail investors. Most ELTIFs in Luxembourg are

combined with the Part II fund structure, which does not require a particular minimum investment amount or does not require the fulfilment of certain investor criteria. The new ELTIF 2.0 framework, applicable since January 2024, has made the ELTIF regime more attractive and accessible to investors because the previously applicable provisions have been made more practical. Luxembourg plays a leading role in the set-up of ELTIF structures, hosting the majority (around 60%) of European ELTIFs, and more ELTIF projects are in the pipeline.

Besides ELTIFs, the European venture capital fund (EuVECA) framework is interesting for venture capital/private equity investments. European Venture Capital Funds Regulation (EU) No 345/2013 (the "EuVECA Regulation") provides harmonised requirements for qualified venture capital funds that intend to invest at least 70% of their aggregate capital contributions and uncalled committed capital in assets that are "qualifying investments" (EuVECA funds). Luxembourg also hosts several EuVECA funds and EuVECA fund managers.

Moreover, the SOPARFI (*sociétés de participations financières*; financial holding company), which is non-regulated, is also used for the holding and financing of private equity investments.

Special purpose vehicles that are created and owned by an AIF and hold the target assets are also established in Luxembourg.

Recent reforms to Luxembourg company law have further increased flexibility for corporate vehicles. By the law of 18 May 2026 (Bill of Law No 8669, the Law), amending the law of 10 August 1915 on commercial companies, the minimum share capital of a private limited liability company (S.à r.l.) must still be fully subscribed at EUR12,000. Nevertheless, the payment of the minimum share capital may be deferred for up to 12 months following incorporation of the S.à r.l. since 2 June 2026 when the law entered into force. This decouples incorporation from the prior opening and funding of a bank account, allowing acquisition and holding vehicles to be set up within a short time period while AML/KYC formalities run in parallel.

Carried interest regime

Luxembourg has further reinforced its tax attractiveness for fund managers. On 22 January 2026, the Luxembourg Parliament adopted a modernised carried interest tax regime (Bill No 8590), applicable from 1 January 2026. The carried interest is an incentive available for the persons who are involved in the (good) performance of an AIF. The new regime distinguishes between contractual carried interest, taxed as extraordinary income at one quarter of the standard progressive rate and participation-linked carried interest, which is fully tax-exempt where the participation is held for more than six months and does not exceed 10% of the AIF's volume. The reform strengthens Luxembourg's appeal for relocating front-office and fund management talent. A first success is already visible as a few managers moved to Luxembourg during recent months as the Luxembourg carried-interest regime is rather straightforward compared to other countries.

International and experienced staff

The Grand Duchy of Luxembourg has a population of around 680,000 residents, and an international environment where English has become the predominant working language in the financial industry. Investors and market players have a diverse choice of service providers with particular expertise in private equity structuring, transaction advice, funds administration and depositary and audit services. Corporate documents and fund documentation can be prepared in English, German or French.

Other benefits of Luxembourg

Another advantage of Luxembourg is the European passport and its success as a leading distribution country worldwide. Luxembourg AIFMs can manage Luxembourg funds as well as AIFs established in other EU countries. Therefore, several UK entities transferred their headquarters or offices to Luxembourg during Brexit (like M&G Investments) in order to retain the benefit of the European passporting regime. During the last few years, and especially due to Brexit, several large private equity firms have opened an office in Luxembourg or even established their headquarters there. This was typically followed by the moving of private equity funds to Luxembourg and/or the launching of new fund structures in line with Luxem-

bourg fund types. In total, 18 of the 20 largest private equity houses have operations in Luxembourg.

Luxembourg boasts a stable political and economic situation and has retained its triple-A rating. Investors and firms also benefit from a flexible and attractive tax regime that complies with EU regulations and directives.

Private Equity/Investment via Luxembourg Structures

Private equity target acquisitions are also carried out via Luxembourg structures. Here, the advantage is that Luxembourg service providers are experienced in the structuring of private equity investments. The laws and the applicable tax regime can also favour such transactions. Nowadays, market private equity firms prefer to have the entire private equity acquisition structure in Luxembourg, as opposed to it being distributed over several countries, to avoid any influence of European supervisory mechanisms.

Private equity investments in Luxembourg firms and by Luxembourg private equity firms

While many private equity firms that have moved to Luxembourg appreciate its advantages, it is also noteworthy that private equity investments into Luxembourg-based target groups, or by private equity Luxembourg companies into other companies, happen more frequently.

Despite a certain reduction in deal flows, major Luxembourg deals have been seen.

In July 2025, SES SA, the Luxembourg-based satellite operator, completed its USD3.1 billion acquisition of Intelsat, a major US satellite communications provider.

In November 2025, Grant Thornton Luxembourg completed its integration into the Grant Thornton Advisors multinational platform, which is backed by an investor group led by the private equity firm New Mountain Capital. This illustrates the continued consolidation of the Luxembourg professional and fund-services sector by financial sponsors. Waystone, a Dublin-headquartered leading global provider of institutional governance, administration, risk and compliance services to the asset management industry, announced in May 2025 the acquisition of BIL Manage Invest from Banque Internationale à Luxembourg (BIL) Group. BIL Manage Invest was a Luxembourg-based management company (ManCo). The acquisition, which was finalised in October 2025 following regulatory non-objection from the CSSF, increased Waystone's assets under management in Luxembourg by approximately 15%. BIL Manage Invest has been renamed Waystone Fund Management and was merged into Waystone's existing Luxembourg management company.

HGGC, a California-based middle-market private equity firm managing over USD8 billion in cumulative capital commitments, announced in February 2025 the acquisition of a majority stake in Centralis Group from CBPE Capital. Centralis Group is a Luxembourg-headquartered specialist provider of fund administration and corporate services to alternative investment managers and multinational corporations across 13 countries. The transaction closed on 27 October 2025 following regulatory clearance, and HGGC's investment is intended to support Centralis' further international expansion, particularly in the United States.

BlackFin Capital Partners, a European private equity investor dedicated exclusively to financial services, agreed in November 2025 to become the majority shareholder of Arendt Investor Services SA (AIS) and the third-party AIFM AManco, subject to CSSF approval, while Arendt retains a significant stake. AIS is a Luxembourg-based Professional of the Financial Sector (PFS) supervised by the CSSF offering services, among others, like fund administration, corporate services and AML/compliance. The partnership aims to accelerate AIS's growth and international expansion into new European markets, leveraging BlackFin's decade-long experience in Luxembourg and operational expertise across over 100 financial services investments in Europe.

In January 2026, Flix, a German global travel-tech company operating long-distance bus and train services in more than 40 countries through its FlixBus and FlixTrain brands, acquired a majority stake in Flibco from SLG (formerly Sales-Lentz Group), a Luxembourg-based family group active in mobility and travel. Flibco is a Luxembourg-headquartered digital platform specialising in airport-shuttle services, oper-

ating in seven European countries under an asset-light model in partnership with local bus operators. SLG remains a minority shareholder and strategic partner, and Flibco continues to operate from its headquarters in Luxembourg under its existing management.

In July 2026, Centralis Group, the Luxembourg-headquartered alternative asset and corporate services provider now backed by US private equity firm HGGC, completed the acquisition of PINE Advisor Solutions, a Denver-based US service provider specialising in regulatory compliance, fund governance and distribution support for asset managers. Through this acquisition, Centralis strengthens its presence in the US market.

Influence of global conflicts

The war in Ukraine, the war in Iran resulting in the blockage of the Strait of Hormuz and other global conflicts as well as the resulting inflation have influenced the international economic situation, although the private equity market has remained quite stable and adaptable so far. The exposure of Luxembourg private equity asset managers to Russian assets has been very limited for a number of years.

Reporting requirements

Investor reporting is much more relevant in Luxembourg nowadays. As relevant data is requested by investors either for their own reporting requirements or as a tool of control, transparency and daily reporting to investors becomes more important and needs to be considered by private equity market players in Luxembourg.

Importance of sustainability

Reporting and investments also need to take greater account of ESG and sustainability criteria. Since Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (SFDR) became effective on 11 March 2021, investment fund managers and private equity firms have to consider ESG criteria when making investments. If they do not intend to consider such criteria, they need to explain their reasons and all related risks. Since 1 January 2023, the level 2 technical and formal guidelines (the "Regulatory Technical Standard6"; RTS) have applied, providing for additional disclosure and reporting obligations for financial market participants.

In June 2024, after reviewing the existing SFDR provisions, the European Supervisory Authorities published a joint opinion with proposals for changes to the SFDR including, amongst others, a new financial product classification system. On 20 November 2025, the European Commission published its legislative proposal to revise the SFDR (SFDR 2.0), which streamlines disclosure requirements and introduces a voluntary product categorisation framework intended to replace the current de facto use of Articles 8 and 9 as product labels.

In addition, the EU's Corporate Sustainability Reporting Directive (CSRD) and European Sustainability Reporting Standards (ESRS), which contain a framework for large companies in the EU to report their sustainability data, entered into force in January 2023. Such reporting obligations can also concern big private equity firms. Following the February 2025 "Omnibus simplification proposal", the "stop-the-clock" Directive (EU) 2025/794 postponed the application of CSRD reporting for later waves of companies by two years. The First Omnibus Directive amending the CSRD and the Corporate Sustainability Due Diligence Directive was then published in the EU Official Journal on 26 February 2026 and took effect on 18 March 2026, simplifying and narrowing the scope of these rules to render processes less burdensome and boost the competitiveness of the European market.

Investors must consider ESG criteria on an ongoing basis. Companies have become more accountable to shareholders and customers, and shareholders pay significantly more attention to how their money is invested and whether their investment has any positive or negative impact on the environment. For example, institutional investors like pension funds focus on funds that promote or target sustainable investments (Articles 8 and 9 under the SFDR). This can be a challenge for private equity firms as there are more things to take into account when choosing an appropriate investment. Such firms need to review the impact and value of investments. Nevertheless, private equity funds represent the AIF asset class with the largest

share of AuM focusing on ESG or sustainable strategies, based on the latest studies.

Furthermore, banks are more frequently asking about ESG when providing a loan facility. The attractiveness of investee companies could increasingly depend on the implementation of reliable and effective ESG policies and strategies by the target companies.

The SFDR and any amendments to it, CSRD and other EU regulations that are expected to follow will become increasingly important and will influence private equity investments and investment funds in Luxembourg and elsewhere in the future.

Digitalisation and technology

Digitalisation, artificial intelligence (AI) and technology play a significant role in Luxembourg and represent potential investment opportunities and targets for private equity transactions. Private equity companies in Luxembourg now focus on technology-related companies, AI companies, machine learning, fintech, tokenisation and blockchain. According to a survey (the S&P Global Market Intelligence Private Equity and Venture Capital Outlook), a majority of general partner investment professionals expect AI to influence deal sourcing and target selection in the future. Luxembourg pioneered this trend with the establishment of the Luxembourg House of Financial Technology (LHoFT) early in 2017. The LHoFT is the country's fintech centre, supporting the digital transformation of Luxembourg's financial sector by connecting financial institutions, investors, the IT industry and authorities.

Forecast

The Luxembourg private equity sector is expected to grow continuously over the coming years, and to adapt to upcoming regulatory and investor demands. As an internationally well-known platform for private equity business, Luxembourg will develop with the market and support the growth of private investments in companies.

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