

OPINION

Kim, Jinyoung

Introduction of Overseas Long-Term Asset Funds and Their Implications

Long-term asset funds are designed to invest in private and illiquid assets while providing a certain level of redemption functionality. Major countries such as the United Kingdom, France, Italy, and Canada have introduced or are institutionalizing long-term asset funds to facilitate the flow of private capital into productive assets. Through these funds, they are opening access to private and illiquid asset investments—previously limited to select investors—to a broader retail base, while simultaneously strengthening investor protection and the stability of long-term investment products through strict liquidity management rules and valuation principles that incorporate redemption conditions.

South Korea is also gradually expanding the channels for private capital participation in private assets such as unlisted equities and private credit. In the current environment that emphasizes growth finance, diversifying long-term investment channels has emerged as an important task to enable investors with different investment horizons and preferences to participate in the market. In this context, long-term asset funds are viewed as an attractive investment vehicle for investors seeking exposure to private assets while maintaining a certain degree of liquidity.

Concept of Long-Term Asset Funds

A Long-Term Asset Fund is an investment vehicle that combines the broad investor access typical of publicly offered funds with the ability of private funds to invest in long-term and illiquid assets. It is differentiated by maintaining a public-offering structure that allows

* All opinions expressed in this paper represent the author's personal views and thus should not be interpreted as Korea Capital Market Institute's official position.

* Ph.D., Research Fellow, Fund&Pension Department, Tel: 82-2-3771-0645, E-mail: jykim@kcmi.re.kr

participation by general investors while investing in private assets that traditional publicly offered funds have struggled to handle, such as equity in unlisted companies, private credit, and infrastructure (Table 1).¹⁾

A distinctive feature is that while it maintains an open-ended structure, it is designed with redemption windows at specific intervals (monthly, quarterly, semi-annually, etc.), along with requirements for prior notice of redemption and corresponding liquidity management procedures. Furthermore, asset management companies must adhere to systematized valuation procedures to ensure the fair calculation of Net Asset Value (NAV). These structural characteristics can be understood as having been formed by the intersection of policy objectives to induce private long-term capital into productive sectors and the demand from private capital seeking new investment opportunities.

<Table 1> Comparison of Funds

Category	Long Term Asset Fund	Open-Ended Public Fund	Private Fund (PEF)
Main Investment Assets	Private & Illiquid Assets	Liquid Assets (Listed Stocks, Bonds, etc.)	Private & Illiquid Assets
Structure & Redemption	Closed-ended OR Open-ended with strict redemption policies	Daily or short-term redemption available	Mainly Closed-ended
Retail Investor Accessibility	High	High	Low (Centered on Institutional/ Professional Investors)

Source: Author

Current status of overseas long-term asset funds

The UK Financial Conduct Authority (FCA) introduced the Long-Term Asset Fund (LTAF) regime in 2021 to promote investment in productive assets. The LTAF market has since expanded rapidly, supported by subsequent regulatory amendments and the government's proactive growth-finance policy stance. In particular, a 2023 rule change significantly broadened the eligible investor base for LTAFs. Whereas LTAFs had previously been limited to DC default funds, professional investors, and high-net-worth investors, they can now be sold to general

1) In this paper, the term "Long-Term Asset Fund" is used as an umbrella concept that includes the United Kingdom's Long-Term Asset Fund (LTAF) and Europe's long-term investment funds, among others. It refers broadly to funds that, while allowing access for general investors through a public offering format, impose restrictions on redemptions due to the characteristics of investing in illiquid assets.

retail investors using advisory services, individual investors who invest directly within 10 percent of their investable assets, self-select DC members, and policyholders in long-term insurance products. In the same year, the UK government announced the “Mansion House Compact,” reiterating its intention to increase the participation of DC pension schemes and master trusts in private markets, with participating institutions indicating that they plan to implement this policy primarily through indirect investment using LTAFs.²⁾ As a result of these institutional changes, LTAF assets under management had reached around GBP 5 billion by mid-2025, of which roughly GBP 3 billion remained as committed capital.³⁾ As of November 2025, authorised LTAFs consisted of 22 sub-funds under 12 umbrella funds, and within just three years of the regime’s launch, the UK is viewed as having established a substantive platform for long-term and illiquid asset investment.

The European Long-Term Investment Fund (ELTIF) 1.0 was introduced in 2015 as a policy tool to address the post-2008 slowdown in growth and investment across Europe, as well as the limitations of a bank-centric financial intermediation system. Over the seven years following its launch, however, the number of funds established and the total assets under management remained very limited, and market participants widely viewed the regime as too complex to function effectively in practice. In particular, three factors were highlighted as key obstacles to market development: (1) the narrow scope of eligible assets, (2) high entry barriers for retail investors, and (3) a de facto closed-ended structure.

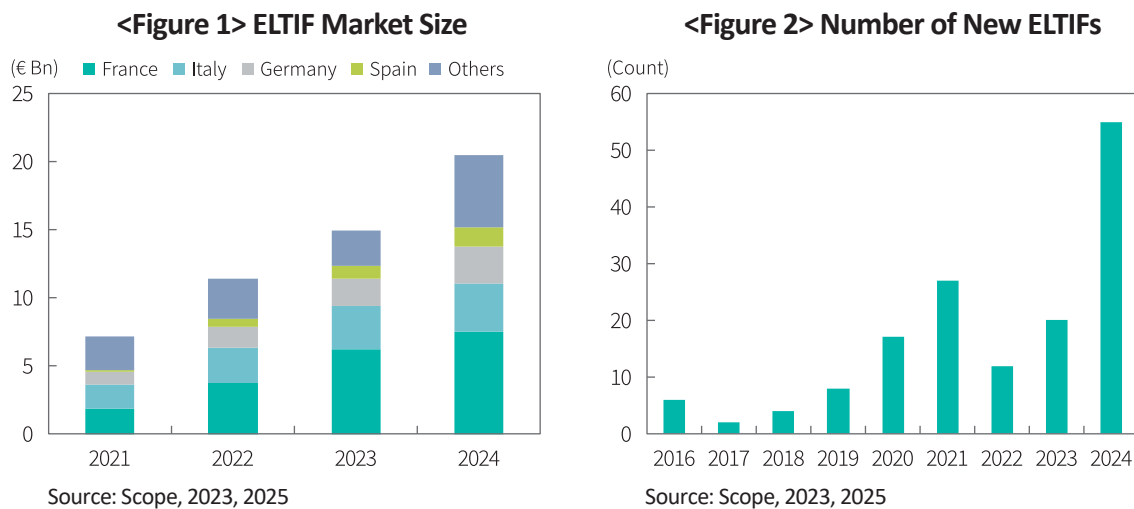
In response, the EU introduced ELTIF 2.0 in 2023, substantially relaxing rules on eligible assets, investor access, liquidity structures, and operating requirements. The reform aims to foster a genuine public long-term investment fund market and to make tangible progress toward the policy goal of channelling capital into long-term, productive investments.⁴⁾

2) The Mansion House Compact is a voluntary industry agreement announced during the UK Chancellor’s Mansion House speech in July 2023, aimed at increasing investment by defined contribution (DC) pension schemes in unlisted and long-term alternative assets. Under the Compact, nine major DC pension providers and master trust platforms pledged to allocate at least 5% of their default fund assets to unlisted equities by 2030. This commitment is not legally binding, but the UK government supports the policy’s effectiveness by conducting regular progress reviews. A stronger agreement, the Mansion House Accord, was announced in 2025. The Accord expands the number of signatories to 17 major DC pension providers and master trusts, and doubles the ambition: by 2030, they aim to allocate at least 10% of their DC default fund assets to private market investments, with at least 5% directed to UK private market assets specifically. Like the Compact, the Accord is voluntary but gains policy traction from ongoing government monitoring and evaluation.

3) Morningstar, 2025, “LTAFs will get an ISA boost, but new investors should do their homework”

4) The 2023 ELTIF 2.0 reform fundamentally overhauled the rules that had blocked retail investors from participating, greatly improving accessibility. It abolished the previous minimum investment requirement of 10,000 euros for retail investors, allowing participation regardless of ticket size, and removed the rule that had capped investments by investors with financial assets

Until July 2023, the number of ELTIFs reported under ESMA disclosure standards stood at only about 95, but following the reform it had increased to 150 by the end of 2024. Over the same period, total ELTIF assets under management expanded from 14.9 billion euros at end-2023 to 20.5 billion euros at end-2024, a rise of 5.7 billion euros, or roughly 38 percent, in just one year. The momentum continued into 2025, with new approvals and launches remaining active and the total number of authorised ELTIFs reaching 211 as of July 2025, indicating a broadening market base.



Canada has traditionally imposed strict limits on the inclusion of illiquid assets in open-ended public funds, and private investments have generally been permitted only for investors who meet accredited-investor requirements. In order to ease these constraints, the Ontario Securities Commission (OSC) proposed in 2024 a new framework called the Ontario Long-Term Asset Fund (OLTF), designed to expand retail investors' access to long-term and illiquid assets.

The OLTF aims to provide ordinary investors with an indirect investment structure through which they can gain exposure to venture capital, private credit, real estate, infrastructure, and

below 500,000 euros at 10 percent of their portfolio, so they can now invest without a percentage limit. In addition, the dedicated suitability and appropriateness tests that had applied specifically to retail investors in ELTIFs were removed and integrated into the MiFID II framework, so investor-protection requirements are now applied within a clearer and more consistent regulatory structure. The reform also explicitly allowed open-ended ELTIFs, whereas in the past only effectively closed-ended structures were permitted, thereby strengthening practical liquidity and significantly enhancing usability for retail investors.

natural resource development projects. Following industry consultation through February 2025, the OSC announced in June 2025 the formal launch of the “LaunchPad Long-Term Asset Fund Project,” marking the beginning of a more concrete phase focused on product design and pilot implementation of the new fund structure.

Comparison of overseas long-term asset fund regimes

The ELTIF in the EU, the LTAF in the UK, and the OLTF in Ontario, Canada share a common design objective as institutional mechanisms to broaden private investors’ access to long-term and illiquid assets and to promote the provision of capital to the real economy. They also share a similar basic framework in that they set minimum allocation thresholds to eligible long-term and real assets and allow open-ended structures with limited redemption rights.

Under ELTIF 2.0, at least 55 percent of assets must be invested in eligible assets,⁵⁾ while the LTAF similarly requires that more than 50 percent of the portfolio be allocated to long-term and illiquid assets. In terms of investor access, both regimes have evolved toward lowering the barriers to participation for individual investors. ELTIFs were designed from the outset with retail investor access and cross-border EU distribution as core objectives, whereas LTAFs were initially launched with a primary focus on institutions and DC pension schemes and have only more recently been opened up progressively to retail investors.

Looking at redemption structures, LTAFs are subject to very strict liquidity-management standards, including a dealing frequency of no more than once per month and a minimum notice period of 90 days for redemptions. Open-ended ELTIFs must likewise establish a detailed redemption policy covering the conditions for redemption requests, dealing windows, frequency and timing of redemptions, and procedural requirements. Where an open-ended ELTIF offers redemptions more frequently than quarterly or allows a notice period of less than three months, the manager must explain and justify to the competent authority why this is appropriate and compatible with the ELTIF’s structure.

5) Eligible assets for ELTIFs include long-term and illiquid holdings such as shares in unlisted companies, listed small and mid-cap companies with a market capitalisation of up to 1.5 billion euros, infrastructure projects, real assets, and private debt. Under ELTIF 2.0, this scope has been further expanded to allow indirect investment through other regulated investment funds, such as UCITS (undertakings for collective investment in transferable securities) and AIFs (alternative investment funds), including fund-of-funds and master-feeder structures.

Despite differences in regulatory frameworks and operational methods, long-term asset funds across various jurisdictions share a common policy direction: all are designed to improve access to long-term and illiquid assets and to channel private capital into productive sectors of the economy. While advancing investor protection through sophisticated liquidity-management mechanisms, each country continues to make efforts to lower the barriers to long-term investment.

<Table 2> Comparison of Long-Term Asset Fund Regimes

Category	ELTIF (Europe)	LTAf (UK)
Introduction timing	Introduced in 2015, ELTIF 2.0 effective from 2024	Introduced in November 2021
Main objective	Promote long-term investment and expand investor access to long-term and private assets, while supporting financing for the real economy	Expand access to long-term and illiquid assets such as DC pension assets and support productive finance
Fund structure	Open-ended or closed-ended	Open-ended
Retail accessibility	Fully open to retail investors (under ELTIF 2.0); minimum investment amount and 10% portfolio limit removed	Fully open to investors receiving advice; self-directed retail investors can invest up to 10% of investable assets
Minimum investment amount	Abolished (ELTIF 2.0; previously €10,000)	None
Minimum allocation to eligible assets	55% (reduced from 70% to 55% under ELTIF 2.0)	50% or more (FCA expectation)
Redemption frequency	Where dealing more frequently than quarterly or offering more frequent redemptions than the underlying assets or structure would suggest, the manager must justify this to the regulator	No more than once per month
Redemption notice period	Where setting a notice period of less than three months, the manager must justify that this is appropriate to the regulator	At least 90 days

Implications

Despite private and illiquid assets being essential for diversification and return enhancement in portfolios, general investors have long faced structural barriers that restricted access to these markets. Leading capital markets have responded to this imbalance by introducing the “semi-liquid” long-term asset fund model, which aims to expand private investment opportunities

for the broader public and support virtuous cycles of capital supply to the real economy—even though these models pose technical challenges in liquidity management and valuation. As a result, such funds are emerging as key channels enabling everyday investors to participate in private markets while also fueling growth in the real economy.

International long-term asset fund practices provide useful lessons for Korea as it designs its own framework for long-term and illiquid asset investment. Korea is already gradually widening channels for private capital to invest in unlisted shares and private credit, and the push for growth finance has made it increasingly important to diversify investment channels to accommodate investors with varying investment horizons and risk appetites.⁶⁾ Long-term asset funds, occupying a middle ground between fully closed-ended and open-ended structures, offer a practical alternative for improving retail access and investment stability.

Furthermore, long-term asset funds can offer a structural solution for the success of Korea's National Growth Fund, a major government initiative. While patient capital is vital for fostering strategic industries and venture ecosystems, ensuring sufficient liquidity is needed to facilitate broad public participation. Adapting the periodic redemption structure of long-term asset funds could strengthen the completeness of Korea's policy funds. As seen in the UK, channeling institutional capital such as pensions and insurance into these vehicles could also spur initial market development, providing a template for Korea's own retirement pension system.

In summary, the close link between long-term asset funds and sustainable investment in infrastructure and innovative companies suggests that Korea should actively consider developing such funds as a policy platform to scale up private sector investment in the real economy under its growth finance strategy.

6) The Business Development Company (BDC), which Korea plans to introduce in 2026, is another example of this development trend. Korea's BDCs will be exchange-listed vehicles, generally offering higher liquidity than long-term asset funds. While long-term asset funds provide redemption opportunities based on net asset value (NAV), listed BDCs are traded on the exchange and may trade at a premium or discount to NAV, which is a significant distinction between the two structures.