

Semi-liquid vehicles on the cusp: how the service industry responds matters

Emerging demand trends are set to increase the pace at which semi-liquid solutions are brought to market, and those delivering on related asset servicing must be prepared, explains Rachel Thornton, Senior Product Manager, Complex Fund Solutions, Northern Trust.

The European region, including the UK, has seen a considerable shift in the past 18 months towards enabling broader access to private markets assets through the hybrid (semi-liquid) open ended fund structures encouraged by the longer-standing UCI Part II and more recent ELTIF 2.0 and LTAF structures respectively.

Northern Trust has significant insight into this shift, for example, being the key asset servicer to some 50%¹ of Financial Conduct Authority (FCA) approved Long Term Asset Fund (LTAF) umbrellas launched currently in the UK.

This exposure to the demands of servicing different types of clients and funds means Northern Trust is well-positioned to partner with those who are looking at bringing greater exposure to private markets strategies to their end-investor clients via these vehicles.

As outlined by Rachel Thornton, the industry overall has significantly developed its understanding in the past two years of the access that semi-liquid funds can provide through their frameworks. In 2025, the trend has been for conversations shifting from being almost exclusively focused on institutional investors to encompassing the high net worth (HNW) segment.

“We continue to see significant

INTERVIEW



Rachel Thornton

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interest from managers in providing institutional access, such as for DC and master trust investments in the UK,” she says. “But wealth is the space where we are seeing some really exciting launch plans, both from specialist private markets managers, as well as more traditional managers,” Thornton notes, adding that from a geographic perspective, it is clear US managers are also interested in a market presence in the UK/Europe - where further AUM pipeline growth is expected.

European moves towards ELTIF 2.0

Experiencing the push towards semi-liquid funds from both existing and prospective clients, Thornton cites Luxembourg as the European location where there has been most growth so far.

However, where there historically has been asset gathering through so-called UCI Part II funds - referring to investment funds set up under Part II of the Luxembourg Law of 17 December 2010 on undertakings for collective investment (UCIs), and which can invest in all types of assets - the growth in Luxembourg based European Long-Term Investment Funds under the ELTIF 2.0 guise “has been a little bit slower up to the second half of 2025 compared to what we have seen in the UCI Part II space”, although some managers may be eyeing conversion to ELTIF 2.0 going forward.

The introduction of ‘2.0’ has, however, helped managers gain clarity and flexibility in terms of liquidity levels versus illiquid holdings, and has spurred product launches across Europe - alongside the EU push to position the ELTIF as the cross-border, pan-European distribution for alternative funds in the same way that UCITS has been to mutual funds.

While the UK and Luxembourg have been noted, Northern Trust

sees growing traction in Ireland as it positions itself to grow into the role of a hub for alternative fund structures, especially for semi-liquid strategies.

Although perhaps accounting for a relatively smaller share of launches to date, it is spurred on by factors such as the Central Bank of Ireland introducing a 24-hour fast track process for approvals. This has been welcomed by managers, particularly those focused on private credit, Thornton notes.

Drivers of semi-liquid funds in 2026 include continued regulatory reforms, investor appetite for exposure to private markets in an open-ended fund vehicle with private equity, credit and infrastructure mandates, operational innovation, and broader distribution strategies targeting retail and wealth channels.

Beyond standardisation

As the market for semi-liquid strategies widens beyond its historic institutional basis, it also demands that service providers rise to the plethora of

requirements - including suitability.

Asset managers will choose the ‘wrapper’ based on their target investors and distribution objectives. There is a concurrent shift in the need for broader support to facilitate reach to the retail end of the market, whereas, for example, evergreen strategies may still be targeting certain client segments.

“No one size fits all,” Thornton stresses.

“The fund design piece is challenging and impacts speed of launch and authorisation. Product innovation has brought private markets to the HNW segment, offering potential to diversify their investments and access asset classes that previously were predominantly closed ended and perhaps not available.”

“Private equity, private credit, real estate, and infrastructure are, by their nature, longer-term investments as well as ones that can channel capital to relevant real economies. But they also offer the prospect of higher risk adjusted returns,” she says.

“Diversification is driving the fund design. When we are working with a manager to understand their operational requirements, our initial questions include: where is your flow coming from? What is your private asset strategy? That drives granularity around trying to match the liquidity terms for the open-ended fund vehicles. These funds’ status as regulated vehicles will be pivotal for further investor confidence and uptake.”

Education

Historic differences in levels of previous investor engagement with semi-liquid strategies mean there are some markets in Europe where education will be needed more - including around the HNW and private banking channels.

This is becoming apparent in the evolution of European semi liquid funds, where Northern Trust sees itself as part of an ecosystem supporting managers across a spectrum of servicing requirements, ranging from fund accounting to investor and depositary services.

On fund design, services onboarding teams may, for example, need to engage with those managers more used to providing ‘pure’ alternatives, perhaps in unregulated vehicles, and where preparatory sessions might best focus on regulatory requirements and the differences between applicable fund structures for the relevant jurisdiction.

“We see it as part of our role to support the investment community by sharing the knowledge and insights we have gained from our own journey over the past 18 months helping managers launch and grow these vehicles,” Thornton says.

To read more from Northern Trust on the evolving role of European semi-liquid funds visit: www.northerntrust.com/europeansemi-liquids

Number of funds as of 24 November 2025, source: FCA Financial Services Register Fund Search

