Ireland and private markets – there will be growth, no doubt about it

*At our recent Ireland and Alternatives event at the Dean Hotel in Dublin, Aztec's **Kevin Hogan** and **Matt Horton** were joined by a range of industry leaders, clients and contacts to discuss Ireland's private markets journey to date, and what the future could look like. A panel consisting of Conor Kilroy – IFIA, Sam Kay – Dechert London, Sinead Colreavy – EY, Niall Ryan – Blackrock, and Shane Geraghty – K&L Gates, discussed all this and more, as summarised below.*

Private Markets' Global Outlook

Matt Horton delivered a keynote speech on private markets' global outlook, and where Ireland could grow its market share, based on Aztec's prior experiences in the Channel Islands and Luxembourg. For the avoidance of doubt, we're defining private markets here as private equity, private credit, real estate, infrastructure and venture capital.

According to Preqin, private markets globally was worth $12.3 trillion at the end of 2023, a figure that's forecast to grow by 11.5%, to $23.5 trillion, by 2029.

The value of private markets funds in Ireland was worth $370 billion at June 2024, a drop in the ocean compared to the wider Irish funds industry, worth $5,286 billion (source: Monterey). However, the recent growth in the value of private funds in Ireland is encouraging, having risen from $36 billion in 2015 to $370 billion in 2024. To misquote Hemmingway slightly, 'it happens slowly, then all at once.' That was the hope among the room at least.

With private markets expected to double in size in the next five years, from $12 trillion today to around $25 trillion by 2029, there's an opportunity for Ireland to claim their fair share – or as one guest said, 'an unfair share.' – of the private markets pie, going forwards.

"Money tends to flow to where the opportunity is. The funds industry facilitates the flow of money to an opportunity. There may be some blips along the way, but there will be growth, no doubt about it." **– Sam Kay, Dechert London.**

Does Ireland have fit for purpose structures for private markets funds?

There have been a number of changes to Ireland's broader offering. The ILP was a key component of that, as were ICAVs, REITs and the recent approval of ELTIF 2.0. Putting all that together, Ireland is well positioned for private markets growth.

***"The introduction of the ICAV in 2015 has given Ireland a widely accepted and highly regarded form of corporate fund structure that is visible to the market."* – Shane Geraghty, K&L Gates.**

The panel discussed how ILPs have been introduced, which is seen as a positive development for the Irish market. The ILP has the look and feel of a structure in Luxembourg, Delaware or Cayman, and there are already estimated to be around 64 ILPs including sub-funds established in Ireland.

The ELTIF is another attractive structure for High Net Worth, retail investors. There are 11 ELTIFs now registered with the Central Bank of Ireland, and with the closed-ended fund guidance published by the Central Bank several years ago, there's certainty as to how these structures work and the key features associated with them.

Complementary to Luxembourg

Luxembourg may be seen as Europe's largest financial centre, particularly for private markets, but it all started somewhere, and there are parallels between Luxembourg then, and Ireland now. In 2013, prior to AIFMD, the Luxembourg market was worth $116 billion. This began to grow quickly post-Brexit in 2016, almost doubling in size from $392 billion in 2017 to $716 billion in 2018. By 2023, this had grown to $2,157 billion.

Can Ireland become a rival to Luxembourg? Does it want to be? Yes, but it is important to recognise the importance of Luxembourg to many private fund asset managers:

***"Ireland has an attractive proposition, but it's not a binary choice. Ireland has a lot of things in its toolkit, as Luxembourg has, and it's about how do we deploy that. A substantial number of private funds asset managers have fund complexes in Luxembourg and Ireland, so it's not an A or B – it can be both."* – Shane Geraghty –**

K&L Gates.

From a structuring perspective, Ireland is comparable with Lux, Delaware and Cayman. The ILP is seen as being very similar to the Delaware ILP. From an ecosystem perspective, there is more optionality in Ireland than a lot of other jurisdictions, which is not always appreciated. There is also a misconception that Ireland's tax rules create issues, which is something of an education piece that needs to be undertaken. In fact, Ireland has a strong track record of implementing recent EU tax directives for investment vehicles, and recent changes to participation exemptions provide even greater flexibility for tax-efficient and neutral structuring than other jurisdictions. However, these successes often go unnoticed.

There's a huge appetite for Ireland to become a real player in this market, indeed there's a huge appetite for Ireland to be the counterbalance to Luxembourg.

"It's about ensuring deal teams recognise Ireland as a strong alternative to Luxembourg. While it's easy to default to familiar and proven structures, education again is key. Ireland isn't just a viable option—it can offer investors greater choice and flexibility and deserves serious consideration. Relying on the same structure simply because it works shouldn't be the only factor—if a structure is effective, that alone shouldn't prevent exploring a potentially better alternative." **– Sinead Colreavy, EY**

Opportunity for Private Credit

Ireland has excelled in the credit space. It has a good reputation in terms of regulation, which has helped it develop a strong reputation with credit managers.

Most private credit direct lending is US corporate, and the Irish double taxation treaty has been extraordinarily successful in Ireland developing structures for European Investors to invest in middle-market loans. This has been one of the good news stories behind private funds asset managers in Ireland, who have used Irish structures to participate in US mid-market direct lending.

This coupled with the fact that Ireland has strong ties with the US – it shares so much history and culture, simple travel links, and of course, a shared language. All of which should ensure Ireland continues to be a go-to location for credit managers going forwards.

Is Ireland ready for private markets growth?

There has been significant investment made into growing the private markets industry in Ireland. And so, when considering the size of Ireland's industry by AUM, it's important to remember that Ireland is a serious player already. Ireland has a growing hub of administrators, lawyers, auditors, custodians and depositaries. It's important to recognise the success Ireland has enjoyed to this point, when considering the future growth ambition.

Commissioned by the Department for Finance, the Funds Sector 2030 review has given fresh impetus to the market that the Irish Government is prioritising the private funds part of the funds industry.

"We are all here because of Ireland's attractive tax framework for investment schemes, and there is no doubt about the international appeal of the Irish funds industry. With Funds Sector 2030, we see clear political support and recognition of this industry's contribution to the Exchequer. However, we must not be complacent—we need to continuously enhance our offering to

remain competitive on the global stage." – Sinead Colreavy, EY.

A number of managers at the event spoke about wanting an Irish presence because it provides their clients with a wider toolkit of solutions, should they need them. Managers have two main considerations – are the right structures in place, and is the ecosystem conducive? From an ecosystem perspective, it's about looking at the administrators, custodians, depositaries, regulators, the government and the various government agencies. Is everyone joined up, are they understanding the issues of the day to drive these solutions? The general consensus in Ireland is, yes, they are.

"There's a commitment and support domestically to develop and grow the private asset sector in Ireland. There's a couple of reasons for this, firstly large asset managers consider private assets as an established asset class now and one that is needed to meet investor demand. Then as important is at an EU level, where there's an acknowledged funding gap. For example, if the EU want to deliver on their green and digital transition commitments, they know they have to mobilise private capital. They can't do this with public funding alone. The prioritisation to mobilise private capital is a real opportunity. Private asset funds are Irish Funds' number one strategic objective, and we will continue to work with key stakeholders to develop and enhance Ireland's private asset offering." – Conor Kilroy – IFIA.

If you'd like to discuss any of the topics explored at our event in Ireland, please contact us below.