

MASSIMILIANO SILLA

MULTI FAMILY OFFICE

Understanding **private markets.**

Private equity, private debt, infrastructure and closed-end funds, properly explained: what they promise, what they ask in return and how the Italian tax system treats them. An independent guide for investors.

EQUITY DEBT REAL ASSETS

EDITION · SEPTEMBER 2026

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WHY THIS GUIDE

Patient capital, **properly explained.**

The private markets — capital invested outside the stock exchange: unlisted companies, direct loans, infrastructure — now manage some fifteen trillion dollars, and for several years they have been knocking on savers' doors: ELTIFs with no entry thresholds, semi-liquid funds, networks that promote. "Democratisation" is the kindly word of this commercial season.

This guide was written to cross that season with eyes open: to understand the closed-end fund and its commitments, the J-curve and the measures that do not exist on the exchange, the four families and their trades, the costs of two-and-twenty with all the layers on top — and the tax chapter, home to an exemption that can change the arithmetic for those who know how to wait.

It is an independent guide, written by someone who manages no products, places none and collects commission from none: it names mechanisms, not brands — and when the listed alternative beats the package, it says so. It provides the foundations — the ones every investor should have before committing a decade.

HOW TO USE THIS GUIDE

- **It is navigable.** From the contents you jump to a chapter with one click; the page number at the foot always leads back to the contents.
- **"Key takeaways",** at the end of each chapter, sums up the essential points in a few lines.
- **The "In plain words" boxes** translate the most technical concepts into everyday analogies.
- **The final glossary** gathers all the technical terms: when a term does not add up, the answer is there.

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Patient capital, **in six numbers.**

~$15 trillion

Assets under management in the world's private markets: nearly quadrupled in twelve years.

10+ years

The life of a closed-end fund: capital is committed, called down in tranches, and comes back when it can.

2 and 20

The historic fee formula: annual management plus one fifth of the profits — and retail adds layers.

~10 points

The annual gap between first- and last-quartile managers: here, selection is the investment.

€100,000

The threshold for reserved FIAs within advice (up to 10% of the portfolio); with ELTIF 2.0, no threshold at all.

5 years

The patience that, in alternative PIR plans, zeroes the tax on income — and inheritance tax.

Sources: industry estimates (McKinsey, Preqin, Invest Europe), 2024-2025; European and Italian rules as at September 2026. Rounded figures. Past performance is not indicative of future results, and any investment can lose value.

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PART ONE · CHAPTERS 1–4

The **foundations.**

What investing outside the stock exchange means: the closed-end fund and its commitments, the J-curve, the measures that do not exist on the exchange — and value computed without a market to confirm it.

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01 Capital, beyond **the stock exchange.**

Private equity, venture capital, private debt, infrastructure: the private markets are capital at work outside the stock exchange — in unlisted companies, in direct loans, in real-world assets. This chapter draws the map: what they are, how large they are, why they have grown so much and why, for some years now, they have been knocking on savers' doors.

1.1 What private markets are

The **private markets** — *mercati privati*, as the Italian documents call them — are the universe of investments in **unlisted** assets: stakes in private companies (private equity and venture capital), loans granted outside the banking and bond-market channels (private debt), property and infrastructure held directly (real assets). They are the mirror image of the "public" markets — the stock exchange — where every asset has a price by the second and a buyer within a click.

The difference is not cosmetic: it is **structural**, and it generates everything this guide will describe. Without a listing there is no continuous price (chapter 4), no immediate exit (the illiquidity of chapter 11), no direct access: one invests almost exclusively through **specialised funds**, with rules of their own (chapter 2). In exchange, capital can work on ground the stock exchange does not cover: the overwhelming majority of the economy. For a sense of proportion: worldwide, listed companies number in the tens of thousands, while unlisted companies of meaningful size number in the **millions** — and the trend of the past twenty years is for firms to stay private longer, arriving on the exchange (when they arrive at all) already large and mature.

> IN PLAIN WORDS
>
> The stock exchange is the lit shop window on the high street: prices on display, and you walk in and out as you please. The private markets are the workshops and warehouses in the courtyards behind: that is where much of the value is produced, but you need a key to get in, prices are negotiated, and whoever enters agrees to stay.

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1.2 The four families

The map that will guide the second part of this guide:

- **Private equity** (chapter 5): buying stakes — often controlling ones — in mature unlisted companies, transforming them and selling them on after years. The largest family, and the one that lends its name to this whole world.
- **Venture capital** (chapter 6): financing young, growing companies — startups — accepting that many will fail so that a few may repay everything. A law of large numbers turned on its head, with rules of its own.
- **Private debt** (chapter 7): lending directly to companies, in place of the banks — direct lending, mezzanine, special situations. The family that has grown fastest over the past decade.
- **Real assets** (chapter 8): infrastructure, real estate, energy — physical assets with long-term cash flows, often linked to inflation.

Taken together, the private markets today manage an estimated **fifteen trillion dollars** — more than tripled in ten years — of which a sizeable share is *dry powder*: capital already raised by the funds and waiting to be deployed. These are the numbers of a major asset class, no longer a niche; but they remain a fraction of the listed markets, and that disproportion is worth remembering whenever the marketing presents them as "the new standard" for portfolios.

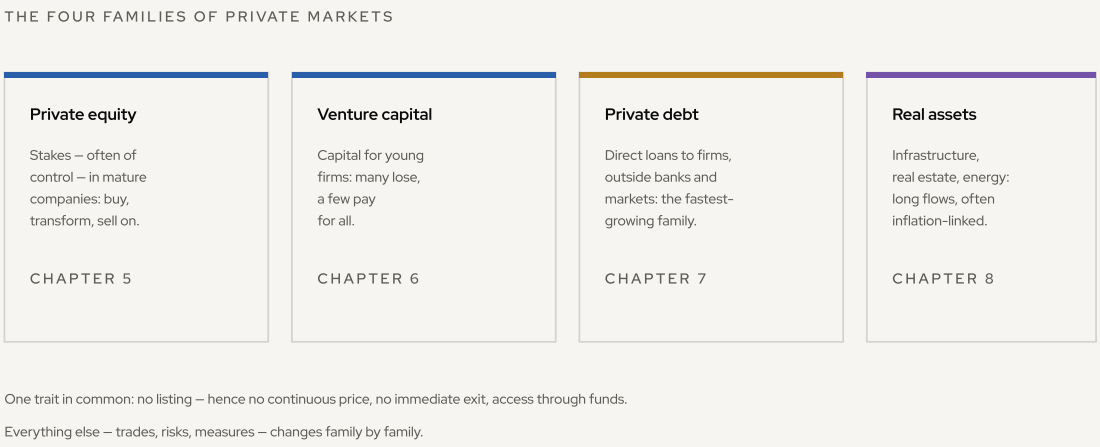

FIGURE 1 The four families of private markets — Illustrative diagram

1.3 Why they have grown so much

Three forces explain the private markets' golden decade. The first is **structural**: after the 2008 crisis, regulation made it more expensive for banks to lend to mid-sized companies — and private debt filled the space; meanwhile, listing on the stock exchange became costlier and less attractive, and companies found in private funds the capital to grow without going public.

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The second is **financial**: a decade of zero interest rates pushed institutional investors — pension funds, insurers, foundations — to seek returns wherever any remained, accepting illiquidity in exchange. The great institutional portfolios raised their private allocations from 5-10 per cent to far higher levels, and the celebrated American university *endowments* — with peaks above 30-40 per cent — became the model cited in every sales presentation.

The third force is **commercial**, and it concerns the reader directly: once the institutional world was saturated, the industry went looking for new capital — and found it in private savings. New European rules (the ELTIF, which we shall meet in chapter 9), "semi-liquid" funds designed for distribution, incentivised banking networks: the so-called **democratisation of private markets** is the commercial theme of these years. This guide exists partly to distinguish, inside that kindly word, genuine opportunity from what is simply a new audience for old fees.

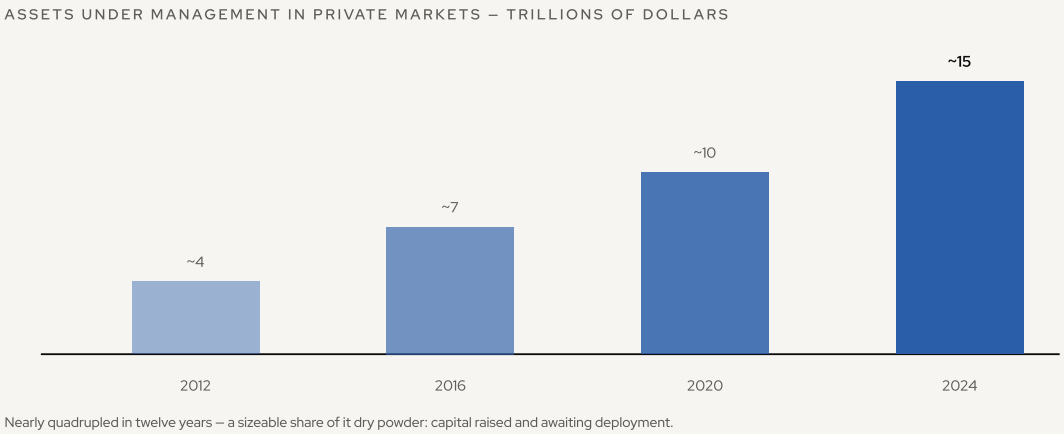

FIGURE 2 The growth of assets under management — Industry estimates (McKinsey, Preqin) — rounded figures

1.4 The promise and its conditions

What do they promise, in exchange for everything they demand? The historical case for private markets rests on three arguments. The **illiquidity premium**: whoever gives up selling for years demands compensation, and over the long run the best private funds have returned more than the listed markets. **Access to the unlisted economy**: sectors, company sizes and transactions that simply do not exist on the exchange. And **active control**: a fund that owns a company can change its management, its strategy, its financial structure — levers a minority shareholder on the exchange does not have.

The conditions, though, are as much part of the contract as the promise, and independent research documents them clearly. First: the average premium, net of fees (chapter 10), is **thinner than the sales charts suggest** — and for some vintages and segments it is debated whether it exists at all. Second: the word "average" hides an **enormous dispersion** — the gap between a top-quartile and a bottom-quartile manager is worth many percentage points a year, against the decimals of listed equity funds: in

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the private markets, selection is not a detail — it is nearly everything (chapter 11). Third: returns are measured with metrics of their own — IRR, multiples — that cannot be compared directly with stock-market returns, and that lend themselves to a certain cosmetics (chapter 3).

This guide's position, declared at once: the private markets are a **legitimate asset class — and, for some estates, a precious one** — on condition of entering with genuinely patient capital, expectations educated by the real numbers, and selection worthy of the task. The rest of these pages serves to build exactly those three conditions.

KEY TAKEAWAYS

- Private markets = capital outside the stock exchange: private equity, venture capital, private debt, real assets. No continuous price, no immediate exit, access almost only through funds.
- Roughly fifteen trillion dollars under management, tripled in ten years: a true asset class, no longer a niche — yet still a fraction of the listed markets.
- Three engines of growth: more cautious banks, less attractive stock exchanges, zero rates — and now the "democratisation" aimed at private savings.
- The promise: an illiquidity premium, access to the unlisted economy, active control. The conditions: heavy fees, enormous dispersion between managers, metrics one must know how to read.
- A legitimate class, on three conditions: genuinely patient capital, expectations educated by net numbers, selection worthy of the task.

Invested capital is at risk: its value can fall as well as rise.

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02 A commitment, **not a parking place.**

In the private markets you do not buy a security: you subscribe to a fund, and the fund has rules all of its own — the manager and the subscribers, the capital commitment called down in instalments, a life of ten years and more. This chapter explains the machine, because until it is understood, any talk of returns is premature.

2.1 GP and LP: who does what

The classic vehicle of the private markets is the **closed-end fund** — in Europe, technically, a FIA: an alternative investment fund, in the Italian regulatory lexicon. Its architecture has two roles, under the Anglo-Saxon names the whole industry uses. The **general partner** (GP) is the management company: it finds the deals, invests, sits on the boards, decides when to sell; it also commits money of its own to the fund — typically 1-3 per cent — so that its interests stay aligned. The **limited partners** (LP) are the subscribers — pension funds, insurers, families: they provide the capital, keep out of the management, and their liability is limited to what they have committed.

"Closed" means two things at once. **Closed at the entrance**: money is raised in an initial window, then the fund sets off with its subscribers and no one else — latecomers wait for the next fund. **Closed at the exit**: units cannot be redeemed at will; capital comes back when the fund sells its investments, on the timetable of the sections that follow. It is the chasm that separates this world from the open-end funds and ETFs of the earlier guides — and the first thing to be clear about: **here money is committed, not parked**.

> IN PLAIN WORDS
>
> A closed-end fund is like taking part in the construction of a building: you sign for a share of the venture, you pay in as the works progress, and you collect when the flats are sold. No one can knock at mid-construction and ask for their bricks back.

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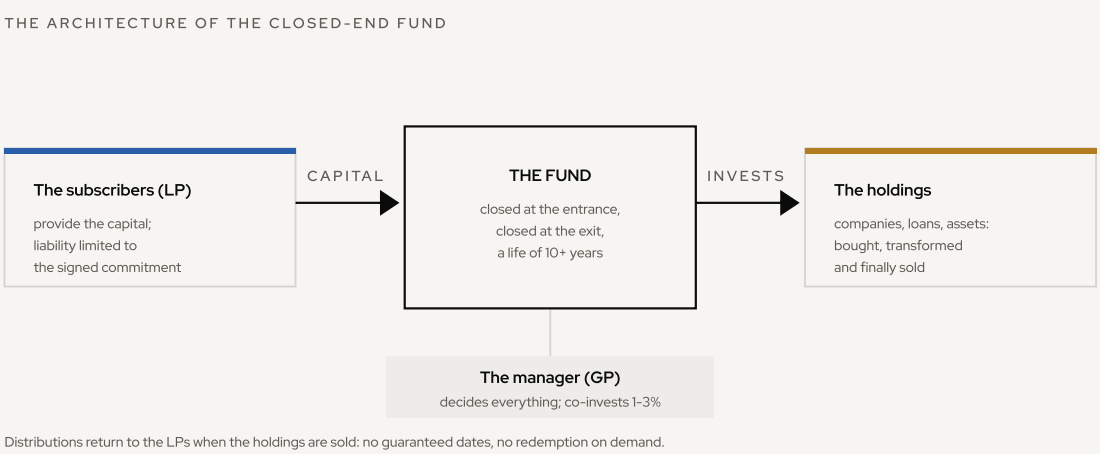

FIGURE 3 The architecture of the closed-end fund — Illustrative diagram

2.2 The commitment: a pledge, not a payment

Subscribing to a closed-end fund has a peculiarity that surprises anyone arriving from the listed markets: **you do not pay upfront**. You sign a **commitment** — a pledge of capital, say €500,000 — and the manager **calls it down** in tranches (*capital calls*) over the following years, as it finds the deals: 15 per cent today, 20 per cent in eight months, and so on, normally across the first four to five years.

The practical consequences are three, and none is a detail. First: **the commitment is binding** — whoever fails to honour a call suffers severe penalties, up to the loss of what has already been paid in; the commitment must be sized on liquidity you *will* have, with certainty, when it is called. Second: uncalled capital must be **parked well in the meantime** — in liquid, prudent instruments, because it has to be found ready. Third: the capital **at work** in the fund is always less than the commitment — at the start because the calls arrive gradually, at the end because the first sales return money: whoever wants a given *average* exposure to the private markets must commit more, and professionals build multi-year programmes for precisely this reason (chapter 11).

2.3 The fund's life: ten years, three seasons

The classic closed-end fund is born with a life of **ten years**, extendable by one or two. Within it, three seasons. The **investment period** (years 1-5 or so): the manager calls capital and buys — companies, loans, assets. The **management season**: the holdings are transformed — new management teams, acquisitions, development — and this is where the value, if it comes, is built. The **divestment season** (normally from years 5-6): the holdings are sold — to another company, to another fund, sometimes on the stock exchange — and the proceeds are **distributed** to subscribers as they come, not on a fixed schedule.

From this follows the most important cash profile to understand: the flows of a closed-end fund are **negative first and positive later**, on timings that can only be estimated. There is no regular bond coupon here, and no sell-at-will as with ETFs: there is a sequence of calls and distributions a decade

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long, which chapter 3 will put on a chart — the famous J-curve. Whoever needs certain flows on certain dates already has the answer: this instrument is not for that part of their wealth.

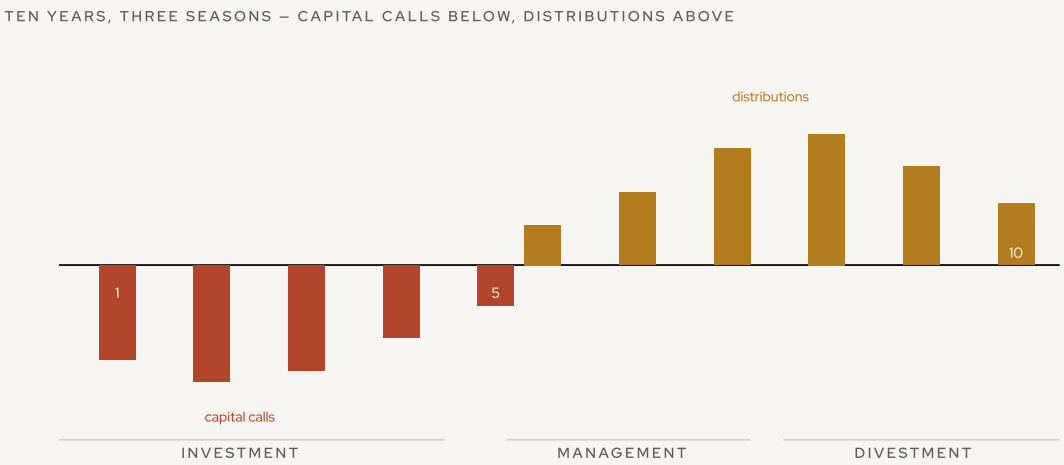

FIGURE 4 Ten years, three seasons — Illustrative example

2.4 The variants: funds of funds, feeders, semi-liquids

Around the base model, three variants the private investor is certain to meet. The **fund of funds** invests not in companies but in other funds: instant diversification across managers and vintages, at the price of **a second layer of fees** (chapter 10). The **feeder** is the conduit vehicle through which a distribution network gathers many private clients and carries them, pooled, into a large institutional fund: useful for lowering thresholds, but again with extra costs to read — the feeder is a pipe, and pipes are paid for.

The most important variant of recent years, though, is the **semi-liquid** (or *evergreen*) fund: no commitment and no capital calls — you pay in at once, as in an ordinary fund — no maturity, a monthly NAV, and periodic redemption windows **with limits**: typically you can exit each quarter, but the fund redeems at most 5 per cent of its assets per window (the *gates*). It is the format in which the private markets are offered to the retail public, ELTIFs included (chapter 9), and it must be understood for what it is: **a compromise**. Simpler and more accessible, but with liquidity promised only "conditions permitting" — in hard times the gates close precisely when everyone wants out — and with part of the portfolio kept liquid to serve redemptions, which dilutes the very private-markets exposure one came for. Semi-liquid does not mean liquid: it means illiquid, with good manners.

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KEY TAKEAWAYS

- The GP manages and co-invests, the LPs provide the capital: the closed-end fund is closed at the entrance and at the exit — money is committed, not parked.
- The commitment is binding and is called down in tranches over years: size it on certain liquidity, and park the waiting capital prudently.
- Ten years, three seasons: investment, transformation, divestment. Flows negative first and positive later, on dates that can only be estimated.
- Funds of funds and feeders add access and diversification at the price of extra layers of cost.
- The semi-liquid fund is retail's format: no calls, monthly NAV, gated redemptions. It is not liquidity: it is illiquidity with good manners.

Invested capital is at risk: its value can fall as well as rise.

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03 First the sowing, **then the harvest.**

First you pay in, then — perhaps — you collect: the path of a closed-end fund draws a J, and its returns are measured with acronyms that do not exist on the stock exchange: IRR, TVPI, DPI. This chapter teaches how to read them, and how to spot the places where the numbers lend themselves to a little stagecraft.

3.1 The J-curve: why you go down before you go up

Let us chart the overall value of an investment in a closed-end fund — payments in, value of the holdings, distributions — year by year. In the early years the balance is **negative and worsening**: the calls go out, fees accrue from day one (often on the entire commitment: chapter 10), and the freshly bought holdings are still carried at cost — when not written down out of prudence. Only from the fourth or fifth year, if things go well, do the first revaluations and the first sales turn the tide; break-even typically arrives at mid-life, and the gain is concentrated in the second half.

The drawing that emerges is the **J-curve**: down, then up. It is not a defect of the individual fund — it is the physiology of the asset class, and it must be internalised for two practical reasons. First: **the early statements will look ugly**, by construction; whoever does not know this sells the idea (or the fund, if they can) at exactly the lowest point of the J. Second: the return of a closed-end fund **cannot be judged before six or seven years** — rankings of young funds measure noise, not merit.

> IN PLAIN WORDS
>
> It is the path of an orchard: in the early years you spend — land, trees, pruning — and the books are all in the red. The first fruit arrives in year four, the full harvest after year seven. Judging an orchard in year two by its profit and loss is an error of calendar, not of agriculture.

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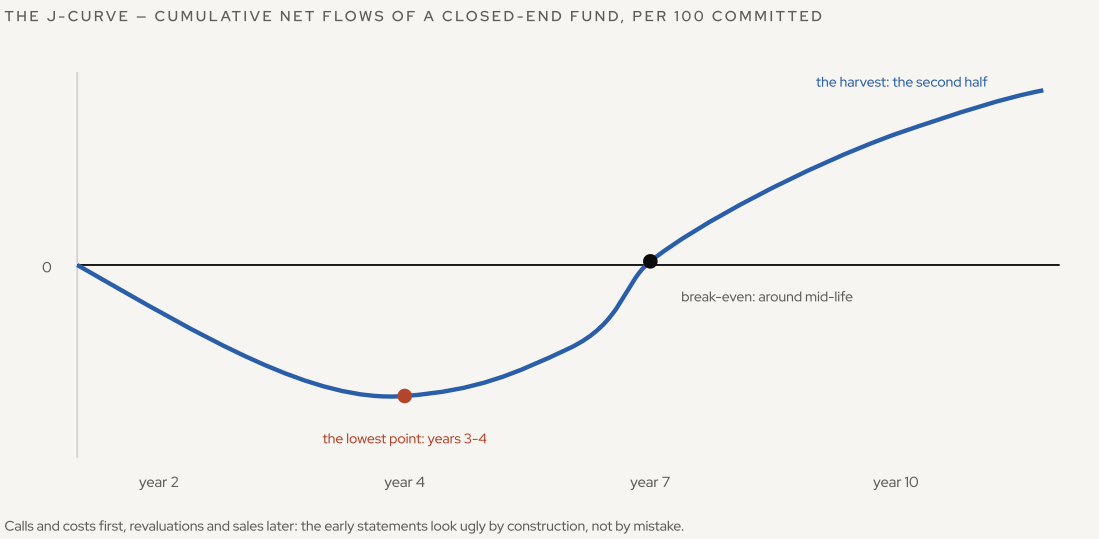

FIGURE 5 The J-curve Illustrative example

3.2 TVPI and DPI: the multiples, or the real money

The first family of measures are the **multiples on paid-in capital** — how many times each euro called has come back, or promises to come back. The **DPI** (*distributions to paid-in*) counts only the money **already distributed**: a DPI of 1.4 means that for every euro paid in, 1.40 has come back — in cash, final. The **TVPI** (*total value to paid-in*) adds to the distributions the **estimated value** of what the fund still holds: the complete picture, but its second component is a valuation, not a receipt — with all the caution that chapter 4 will reserve for valuations.

The hierarchy of reliability is therefore clear-cut: **DPI is money, TVPI is money plus opinions**. Early in a fund's life the TVPI says little and the DPI is zero by definition; towards the end the two converge, and what truly matters is where the DPI converges. The mature reading of a fund keeps both in view along with its age: a TVPI of 1.6 in year nine with a DPI of 0.5 describes a fund that still has almost everything to prove — and that is asking for faith in its own estimates.

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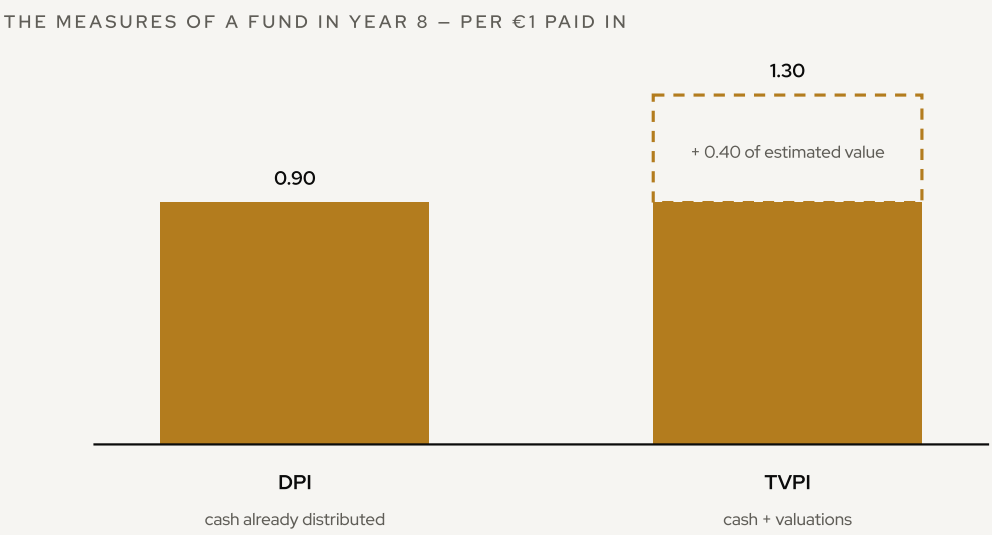

FIGURE 6 DPI and TVPI compared Hypothetical example

3.3 The IRR: powerful, and easy to dress up

The industry's queen measure is the **IRR** (*internal rate of return*): the annual rate that makes the sequence of payments and the sequence of receipts financially equivalent, each weighted by its date. Conceptually it is right — in a world of irregular flows, it is the correct way to annualise — but it has two properties the investor must know.

The first: **the IRR is not the return on your wealth**. It rewards short flows: a fund that returns money early can show high IRRs even if it has multiplied capital little — and money returned early must then be reinvested who knows where. This is why IRR and multiples are read **always as a pair**: the IRR says how fast, the multiple says how much in all.

The second: the IRR lends itself to **legal cosmetics**. The most widespread practice is the **subscription credit line**: the fund finances its first investments with a bank loan and delays the calls to subscribers by a year or more; the LPs' flows shorten, and the IRR — for the same true result — rises by a few points. Just as common is the shop window of the **right moment**: young funds' reports flattered by the first revaluations, industry averages computed excluding the worst funds (the deceased do not answer surveys). The defences are simple: always ask for the multiples alongside the IRR, give weight to the DPI, and treat any IRR above the plausible as a question, not an answer.

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3.4 Comparing with the stock market: the right yardstick

There remains the question every sales presentation pre-empts in its own way: "how does it compare with the stock market?". The naive comparison — the fund's IRR against the index's annual return — is **methodologically wrong**: it measures different things on different flows. The correct tool exists and is called the **PME** (*public market equivalent*): it simulates investing the same flows, on the same dates, in the listed index, and compares the final amounts. It is the number to ask for when assessing a serious manager — and serious managers provide it.

What does independent research say, in honest summary? That private equity has historically beaten the listed markets by this yardstick, but by a **modest average margin** — the order of magnitude is a few percentage points a year net of fees, shrinking in recent vintages as the inflow of capital compresses returns; that the advantage concentrates **in the best managers**, with a dispersion that makes the average almost irrelevant; and that in some segments and periods the premium, net of everything, has simply not been there. This is not a verdict against the class — it is the calibration of expectations: whoever enters the private markets for "double-digit returns guaranteed by the illiquidity premium" is buying a slogan; whoever enters for a possible advantage, conditional on selection and paid for with a decade of patience, is making an investment.

KEY TAKEAWAYS

- The J-curve is physiology: payments and costs first, then (perhaps) the fruit. Early statements look ugly by construction, and a fund cannot be judged before six or seven years.
- DPI = money returned; TVPI = money plus valuations. That is the hierarchy of reliability, and at the end of the road what counts is where the DPI lands.
- The IRR rewards speed, not quantity: it is read always in pair with the multiples — and subscription credit lines inflate it legally.
- The right comparison with the stock market is the PME, on the same flows at the same dates: ask for it — serious managers provide it.
- The average historical premium is real but modest and shrinking, concentrated in the best managers: the average, here, is almost irrelevant.

Invested capital is at risk: its value can fall as well as rise.

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04 Value, **without a market.**

What is a company worth when no one buys and sells it every day? And how much is decided by whoever writes the number down? The private markets live on valuations, not prices — and the difference produces effects every investor must know: the volatility that looks low, the NAVs that arrive late, the discounts of the secondary market.

4.1 NAV: a quarterly estimate, not a price

In the listed markets, value is a fact: there is a price, right now, at which you can actually sell. In the private ones, value is a **judgement**: the fund's NAV normally comes out **every quarter**, weeks in arrears, and is built from valuations of the individual holdings made with textbook methods — multiples of comparable listed companies, discounted cash flows, prices of recent transactions — applied by the manager under international principles and subject to audit.

It is a serious process, not an invented number; but it remains an **estimate with margins of discretion**, produced by someone with an interest in an orderly result, on assets that by definition have no market price. Verification comes only at the moments of truth: when a holding is **actually sold** — and the literature documents that sale prices deviate from the preceding NAVs, sometimes materially, in both directions — or when the subscriber tries to sell their stake on the secondary market, where the discounts speak plainly (last section).

4.2 The volatility you do not see

From the mechanics of valuations follows the most celebrated — and most misread — effect of the private markets: **strikingly low apparent volatility**. The quarterly NAV, built on accounting methods and updated with caution, moves little and late: in the sales charts, the private-markets line glides serenely beside the stock market's roller coaster, and the implicit message is "same return, half the risk".

The correct reading is another: that serenity is partly **an artefact of measurement**. The companies in the portfolio live in the same economy as the listed ones: when the stock market loses 30 per cent, the economic value of a similar private company does not stand still — it is its NAV that fails to record the move, or records it later, diluted. Academics call the phenomenon *smoothing* of returns — some,

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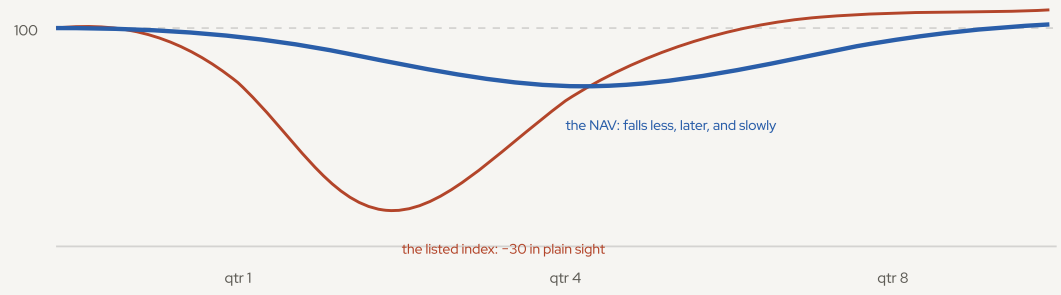
polemically, "volatility laundering" — and the practical consequence is twofold. For the portfolio: private assets **diversify less than they appear to** — the economic risk is there, it merely arrives on a different calendar. For the psyche: that same smoothing is, honestly, **part of the perceived value** — not seeing prices dance helps many investors stay invested; provided one knows it is an optical effect purchased at the price of illiquidity, not a magical property of the assets.

> IN PLAIN WORDS
>
> It is the difference between weighing yourself every morning and weighing yourself once a season, carefully dressed: the second scale tells a much calmer story. The body, meanwhile, is the same — it is the frequency (and the courtesy) of the measurement that changes the film.

THE SAME SHOCK, TWO MEASURES — LISTED INDEX AND PRIVATE NAV, VALUE 100 AT THE START



The companies live in the same economy: it is the measurement that changes the film. The economic risk remains — it arrives on another calendar, and the apparent diversification must be read accordingly.

FIGURE 7 The same shock, two measures — Illustrative example

4.3 The secondary market: where estimates meet prices

There is one place where the stakes of closed-end funds find a true price: the **secondary market** — specialised buyers (the *secondaries* funds) who take over the positions of those who must leave before the end. It is a market that has grown and matured, and it is precious twice over: as a real **emergency exit**, and as a **thermometer** of the distance between estimates and prices.

The thermometer says this: stakes normally change hands **at a discount to NAV** — a few points in calm phases for the best funds, but 10-20 per cent and beyond in moments of stress or for less prized portfolios. The discount is the price of illiquidity made visible at last: whoever sells before the time pays it, whoever buys pockets it. For the private investor the lessons are two. The first: early exit **exists but costs** — the secondary market is a parachute, not a revolving door. The second, on the bright side: the

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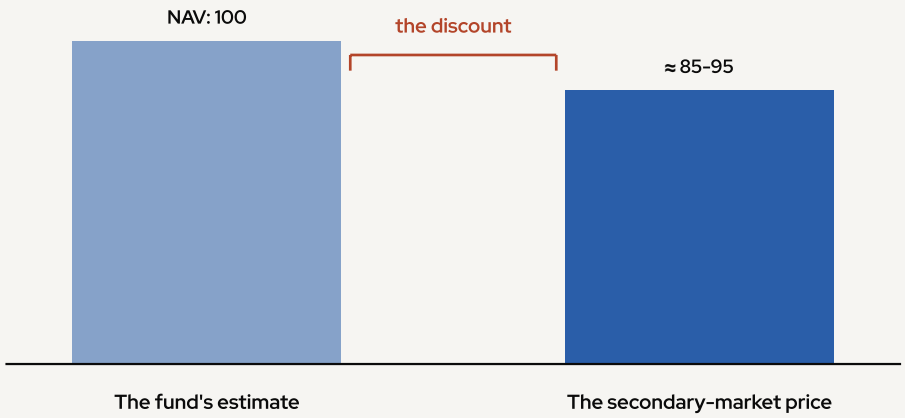
funds that *buy* on the secondary market — accessible in ELTIF format too — offer an entry with a softened J-curve and a discount built in: one of the most sensible routes, as we shall see, for a first step into this asset class.

A CLOSED-END FUND STAKE, SOLD BEFORE ITS TIME



A few points in calm times, beyond 20% under stress: the price of illiquidity made visible.

FIGURE 8 The secondary-market discount

Illustrative example

KEY TAKEAWAYS

- The NAV is a serious but discretionary quarterly estimate: true value is known only at the sale — or on the secondary market.
- The low volatility of private assets is partly an artefact: smoothing shifts the risk in time, it does not remove it. They diversify less than they appear to.
- The calming effect of smoothed NAVs is part of the perceived value — to be enjoyed knowing it is optics, paid for with illiquidity.
- The secondary market is where the true prices live: physiological discounts to NAV, widening under stress. Leaving early is possible, but it costs.
- Secondaries funds — in ELTIF format too — buy those discounts: softened J-curve, diversified entry. A sensible door to begin with.

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II

PART TWO · CHAPTERS 5–8

The **families.**

The four trades of private capital: private equity and its levers, venture and its power law, the debt that took the banks' place, real assets and their flows.

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05 Buy, transform, **sell on.**

Buy a company, transform it, sell it on: private equity is the royal family of the private markets — the family of buyouts, of leverage, of five-year industrial plans. This chapter explains how it creates value when it does, where the risks live when it does not, and why here the choice of manager matters more than the choice of asset class.

5.1 Buyout and growth: the two trades

Under the private equity label live two main trades. The **buyout** — the heart of the category — buys **control** of mature, profitable companies: the fund acquires the majority (often the entirety), normally using a substantial dose of debt, and for five to seven years governs the company as full owner. **Growth equity** instead takes a **qualified minority** in companies already solid but expanding fast, which seek capital to grow without ceding control: less leverage, less governance, more of a bet on the trajectory.

In Italy and in Europe, private equity works above all on the fabric of **mid-sized companies** — family firms at the generational turning point, niche champions to internationalise, groups to be built by aggregating small operators (the *buy and build* strategies). That information is useful twice over: it says where the capital goes, and it reminds us that the underlying of these funds is familiar real economy — not abstract engineering.

5.2 Where the return comes from (when it comes)

The return of a buyout can always be decomposed into **three levers**, and the decomposition is the right way to judge a manager. The first is **operational growth**: the company sells more, at better margins — new markets, new products, integrated acquisitions, strengthened management. It is the noble lever, the one the manager truly controls. The second is **multiple expansion**: selling at a higher price, relative to earnings, than the price paid — because the company has improved, or simply because the market has risen. The third is **financial leverage**: debt amplifies the return on equity when things go well — and amplifies the losses when they go badly.

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Attribution research tells an instructive story: in the golden decades, a good part of the category's returns came from expanding multiples and cheap debt — two **environmental** levers, not managerial ones, which the decade of higher rates has blunted. The funds that keep performing are those strong on the first lever; and this is why serious due diligence asks managers for exactly this decomposition: how much of your past results is operational growth? The answer separates the builders from the surfers.

> IN PLAIN WORDS
>
> Buying a house with an 80 per cent mortgage and selling it after the neighbourhood has gone up earns you a great deal on your own capital — but the credit belongs to the neighbourhood and the mortgage, not to the owner. The good owner is the one who would have profited anyway: because he rewired the place, fixed the permits, split the flat in two. That is what to ask managers: how much was neighbourhood, and how much was work.

WHERE A BUYOUT'S RETURN COMES FROM — THE DECOMPOSITION TO ASK FOR



FIGURE 9 The three levers of return — Illustrative diagram

5.3 Dispersion: the statistic that rules the class

The single most important number in private equity is not the average return: it is the **dispersion around the average**. Among listed equity funds, the difference between a top-quartile and a bottom-quartile manager is measured in decimals or a few points a year — the index keeps everyone close. In private equity the same gap is measured in **many percentage points a year**: historically, on the order of ten and beyond between first and last quartile, with even wider tails in venture capital.

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The practical implications are three, and they hold up the rest of this guide. First: **"investing in private equity" does not exist** — investing in specific funds exists, and the outcome depends on which. Second: selection requires what the ordinary saver typically lacks — access to the best managers (whose funds fill by invitation), analytical capability, verifiable track records; it is the most honest argument in favour of funds of funds and managed programmes, despite their costs. Third: the **persistence** of results — the good staying good — is documented but has weakened over time, and in any case the fund that retail can easily buy is rarely a first-quartile one: chapter 9 will be explicit on this.

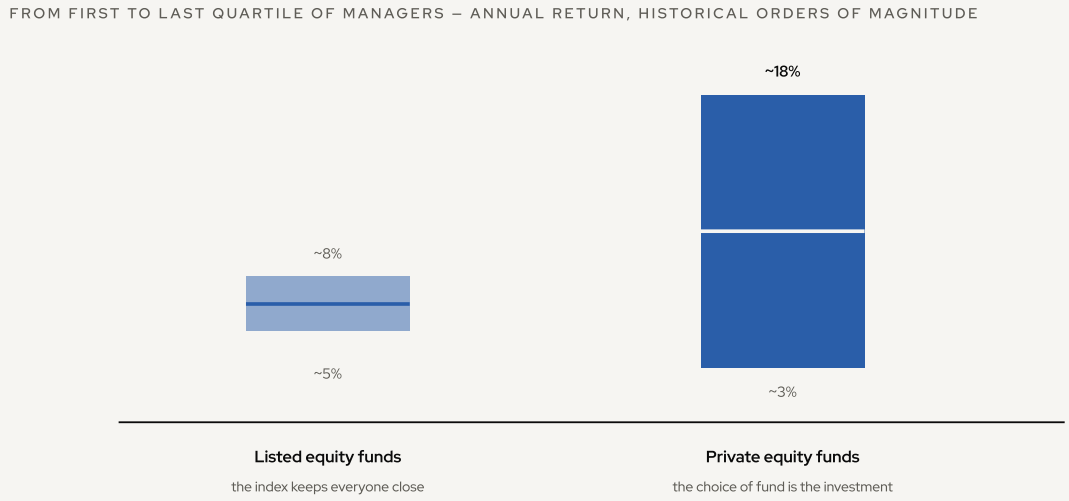

FIGURE 10 The dispersion between managers

Orders of magnitude from industry research

KEY TAKEAWAYS

- Buyout: control, debt and five to seven years of governing the company. Growth: minorities in expanding companies. In Europe, above all mid-sized firms.
- Three levers of return: operational growth, multiple expansion, financial leverage. Only the first is fully the manager's merit — and higher rates have blunted the other two.
- The key question for every manager: how much of your results is operational growth? It separates the builders from the surfers.
- The dispersion between managers matters more than the average: ten points and more a year between first and last quartile. "Investing in PE" does not exist: specific funds do.
- The best funds fill by invitation: the access problem is half of the selection problem.

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06 A few winners **pay for all.**

Financing the new while it is still small, knowing that most of the bets will be lost: venture capital is the most storied family of the private markets and the furthest from its own legends. This chapter explains its mathematics — the power law — and why, for a private investor, it is almost always the wrong door to start from.

6.1 The trade: capital for the not-yet-great

Venture capital finances young, high-potential companies — the startups — along a ladder of stages the industry calls *rounds*: the **seed** for the idea becoming a product, **series A and B** for the product finding its market, the **growth rounds** for the climb. At each stage the fund buys a minority, works alongside the founders — recruitment, clients, the next rounds — and aims for the **exit**: a sale to a large group or, in the cover-story cases, a listing.

Compared with the private equity of chapter 5, everything changes: no control, no debt, no cash flows to govern — one buys **pure optionality** on companies that will burn cash for years. The fund's value depends entirely on a few future, binary events: either the company becomes great, or the capital invested there is worth little or nothing. This binary nature is no accident: it is the foundation of the mathematics of the next section.

6.2 The power law: few winners pay for all

Venture returns do not follow the Gaussian bell of the listed markets: they follow a **power law**. In a typical portfolio of twenty to thirty holdings, the expected distribution is brutal: **half or more will return little or nothing**, an intermediate group will return the capital or a little more, and **one or two holdings** — if they come — will single-handedly deliver the fund's entire return, multiplying twenty, fifty, a hundred times over.

From this mathematics descend all the rules of the trade. The manager does not look for good companies: he looks for **possible outliers**, because a portfolio of "reasonable" bets that at best triple is mathematically a loser when half the basket goes to zero. Diversification is not optional: with outcomes this concentrated, a small basket is a lottery even in excellent hands. And the **dispersion between**

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funds — already enormous in private equity — becomes abyssal here: the legendary funds that caught the decade's two or three giants drag up category averages that no one else remotely resembles. The venture average is the average of Achilles and a thousand tortoises.

> IN PLAIN WORDS
>
> It is the model of the serious gold prospector: a hundred digs, ninety empty holes, nine modest seams that pay for the shovels, and — perhaps — one vein that pays for the whole expedition and the next one. Whoever cannot afford a hundred digs is not prospecting for gold: he is buying a lottery ticket with a pickaxe in his hand.

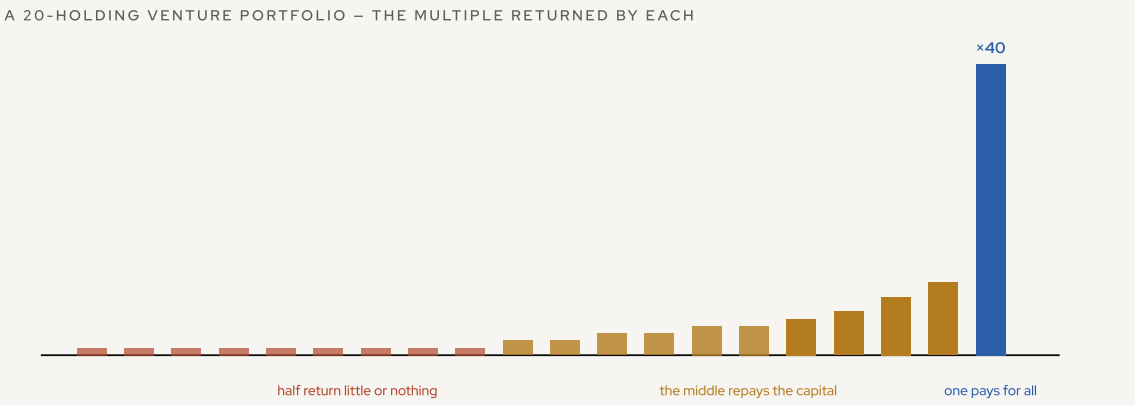

FIGURE 11 The power law of venture — Illustrative example

6.3 The access problem (and it is nearly everything)

In venture, even more than in private equity, an iron law holds: **the returns live in the funds that are hardest to get into**. The managers with access to the best opportunities — the ones founders choose, not the ones who choose — raise by invitation from long-standing subscribers; new capital, all the more so if retail, typically gets what is left. And by the power law, "what is left" is not slightly worse than the top: it is **another trade altogether**, with return expectations that do not justify the risk and the illiquidity.

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For the Italian private investor, the frank translation. Sensible exposure to venture, if wanted at all, goes through **highly diversified vehicles** — funds of funds, institutional programmes, small allocations inside multi-asset private strategies — with the expectations of a satellite, not of an engine. Direct investment in startups — club deals, crowdfunding, the acquaintance's company — belongs to another category of the spirit: it can make sense as proximity capital or entrepreneurial passion, with money one can afford to lose entirely; it is not, for an orderly estate, an investment class. And the two categories must never be confused on the same account.

KEY TAKEAWAYS

- Venture buys optionality on young companies: binary outcomes, years without cash flows — the nature of the asset is its mathematics.
- Power law: half the basket returns little or nothing, one or two holdings make the whole fund. Broad diversification is not optional.
- The category average is the average of Achilles and a thousand tortoises: without the elite funds, the profile changes trade.
- Access is nearly everything: the best funds raise by invitation, and what is left rarely repays the risk and the illiquidity.
- For the private investor: only highly diversified vehicles, in satellite doses. Direct startup investing is passion capital, not an investment class.

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07 Lending, **without the bank.**

Lending to companies in place of the banks: private debt is the family that has grown fastest over the past decade, and the one most often pitched to savers as "a bond that yields more". This chapter explains the trade, its numbers and the difference — a substantial one — from the fixed income of the second guide in this series.

7.1 The trade: credit outside the banks

Private debt lends money to companies through funds, outside the two classic channels — the bank and the bond market. The dominant form is **direct lending**: the fund negotiates and grants a loan directly to a mid-sized company, often in support of a private equity transaction, with bespoke contracts, negotiated collateral and a **floating rate** — normally a margin above market rates. Around it, the variants: **mezzanine** (subordinated debt with extra yield), **opportunistic and distressed** credit (buying or restructuring troubled loans), asset-backed lending.

The family exploded after 2008 — regulation pushed the banks out of part of the market, and the funds took the space — to beyond one and a half trillion dollars under management. The decade of rates risen again has made it the perfect commercial proposition: high-single-digit gross yields, coupon-like flows, minimal accounting volatility. All true; yet each of these three virtues deserves its own footnote, and that is the next section.

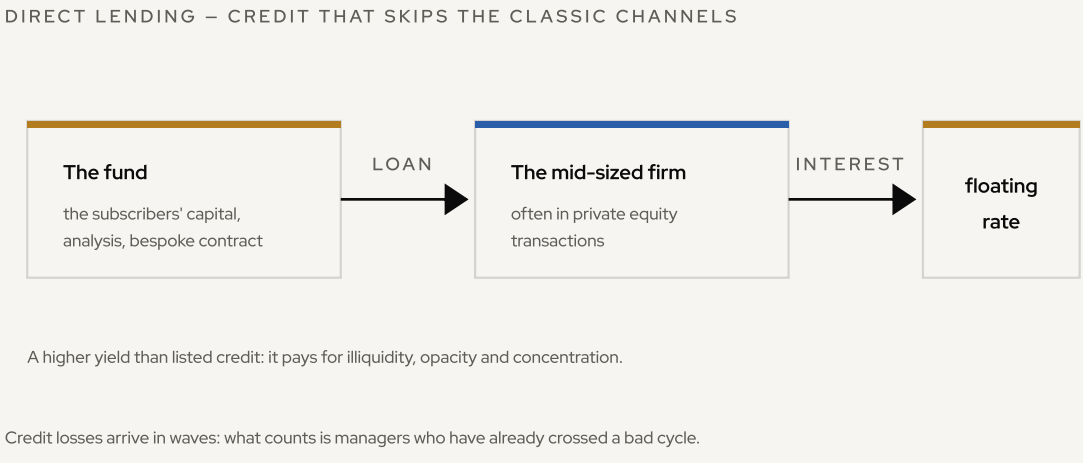

FIGURE 12 Direct lending — Illustrative diagram

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7.2 The three footnotes to the three virtues

The yield is high because the risk is there. The companies financed by direct lending are typically mid-sized, significantly leveraged, often owned by private equity funds that optimise every variable — margins included. The premium over listed credit pays for three real things: the illiquidity, the lower transparency, and a concentrated credit risk that presents its bill in adverse cycles: credit losses, nearly invisible in the good years, arrive in waves.

The flows are coupon-like but not guaranteed. The floating rate protects against rate risk (the lesson of the bond guide still holds), but transfers the stress onto the companies: higher rates mean heavier instalments for already-laden borrowers — the creditor's relief and the debtor's strain are the same coin, turned over.

The low volatility is that of chapter 4. Private loans have no market price: they are valued, with all the smoothing that entails. The equivalent listed credit — high yield, leveraged loans — loses 10-20 per cent in stressed moments in front of everyone; direct lending, in the same moments, "does not move" — until the realised losses reach the accounts. The serenity of the statement is not information about the risk: it is information about the frequency of the photographs.

> IN PLAIN WORDS
>
> Private debt is to the listed bond what a loan to your brother-in-law is to a BTP: it yields more, you never see it fluctuate — and those two properties have the same origin. No market prices it for you, and no market will buy it back.

7.3 The right place in a private portfolio

All that said, private debt is — among the four families — the one that most often makes sense as a **first step** into the private markets for a suitable investor: the J-curve is short (loans pay interest from the start), the distributed flows arrive early, the dispersion between managers — though material — is less abyssal than in equity, and the trade can be understood: it is credit, with the categories of the second guide in this series.

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The conditions of engagement mirror those of the class: managers whose history has crossed at least one loss cycle (whoever started in 2015 has never seen real rain), broad diversification by number of loans and sectors, clear seniority in the portfolios (how much is truly first-lien secured?), and the fiscal awareness that chapter 12 will spell out. Above all, the honest placement: private debt **complements** the fixed income of a portfolio, it does not replace it — the part of one's wealth that must be liquid and certain stays with the securities of the second guide; here lives only the part that can commit itself for years in exchange for a premium.

KEY TAKEAWAYS

- Direct lending: loans negotiated directly with mid-sized companies, floating rate, often in support of private equity transactions.
- Three virtues with three footnotes: the yield pays for real risks; the flows are not guaranteed; the low volatility is smoothing, not safety.
- Credit losses arrive in waves: what counts is managers who have already crossed a bad cycle.
- Among the families, the most reasonable first step: short J-curve, early flows, a trade one can understand.
- It complements fixed income, it does not replace it: the liquid, certain part of one's wealth stays in bonds.

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08 The backbone **of the economy.**

Motorways, networks, data centres, warehouses, energy: real assets are the most tangible family of the private markets — physical assets producing long-term flows, often linked to inflation. This chapter walks through them by risk profile, from the core that resembles a bond to the opportunistic that resembles a building site.

8.1 Infrastructure: the flows of essential things

Infrastructure funds own the economy's backbone: transport and energy networks, waterworks, telecommunications towers, data centres, renewable plants. The investment case is the nature of the revenues: **essential services, stable demand, long contracts** — concessions, regulated tariffs, decade-long supply agreements — often with **inflation indexation** written into the contracts. It is the family that comes closest to the idea of a "long-term real coupon", and the reason for its growing place in institutional and pension portfolios.

The risks have proper names: **regulatory and political** (tariffs are set by an authority, concessions are renewed by a State), **leverage** (stable assets invite loading on plenty of it, and risen rates have issued the reminder), **technological** for some categories. And the internal range is wide: a regulated airport and an electric-charging platform under construction sit in the same brochure but not in the same world of risk — the classification of the next section applies.

8.2 Real estate: from income to project

Private real estate — through funds, not direct bricks — covers offices, logistics, rental residential, hotels, retail. The industry classifies its strategies along a scale that applies to all real assets and that the investor should demand in every product sheet:

- **Core**: quality buildings, let, in prime locations; the return is above all **current income**, leverage is contained. The profile closest to a long bond — rate sensitivity included.
- **Value-add**: buildings to be improved — refurbished, re-let, repositioned; a return mixed between income and appreciation, medium leverage, execution decisive.

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- **Opportunistic**: development, conversions, special situations; the return is nearly all **hoped-for capital gain**, leverage is high, the profile is private equity in a hard hat.

The recent decade has delivered the lesson of the cycle: risen rates repriced the entire class (offices, hit by remote working too, brutally so), and the semi-liquid property funds — global names included — showed the public what the *gates* of chapter 2 mean when everyone asks for the exit at once. Whoever enters today enters at reduced valuations: that is not advice, it is the reminder that even in "tuck-away" assets the point in the cycle exists.

> IN PLAIN WORDS
>
> Core, value-add and opportunistic are the bond world's scale transferred to bricks: the building let to the post office is the BTP, the one to refurbish is the corporate bond, the building plot is high yield. Same merchandise — bricks — three different trades. The brochure that does not say which of the three it is selling is not selling: it is confusing.

THE REAL-ASSET LADDER — RISK AND THE NATURE OF THE RETURN

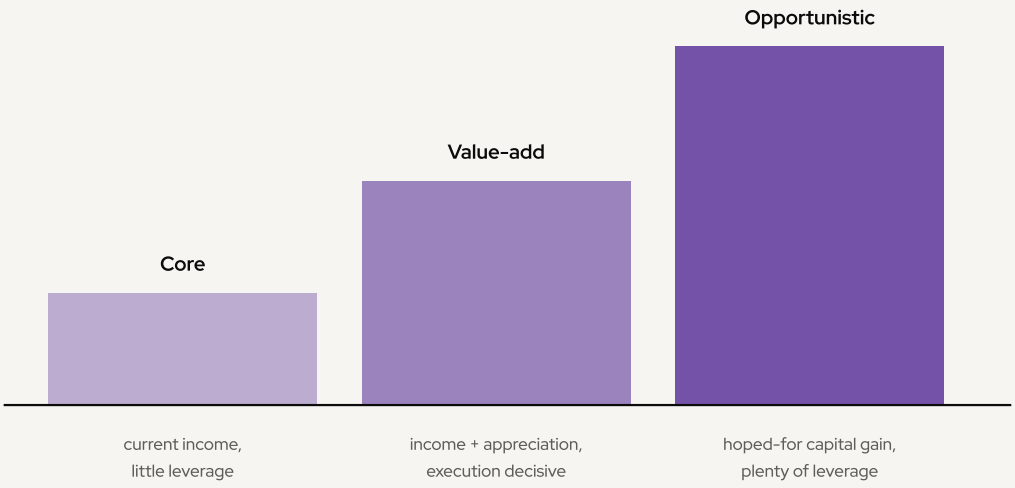

FIGURE 13 Core, value-add, opportunistic — Illustrative diagram

8.3 The role in the portfolio: the "income side" of the private markets

In the overall design of a private-markets allocation, real assets occupy the place of **income and inflation protection**: distributed flows more regular than the other families', contracts often indexed, horizons even longer than the canonical ten years (core infrastructure lives on fifteen-year funds, or on evergreen structures that make more sense here than anywhere else — the underlying asset is, by nature, perpetual).

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The family warnings: **rates remain the competitor** — when the real-yield BTP pays, the premium of core infrastructure thins, and asset prices reflect it with the usual NAV delay; **the leverage must be read** in the documents, because it turns the "coupon-like" profile into something more nervous; and **the word infrastructure is not a talisman** — recent retail products also contain greenfield development and young technologies, which share with core stability only the brochure section. As ever in this series: buy the structure, not the label.

KEY TAKEAWAYS

- Infrastructure: essential services, long contracts, often inflation-indexed. Regulatory, political and leverage risks.
- The core / value-add / opportunistic scale applies to all real assets: from the near-bond profile to private equity in a hard hat. Demand it in every product sheet.
- The lesson of the recent cycle: rates reprice bricks too, and the semi-liquid property funds showed what gates are under stress.
- In the portfolio they are the income side of the private markets: more regular flows and inflation protection, over horizons beyond the decade.
- When the real-yield BTP pays, the core premium thins: rates always remain the competitor.

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III

PART THREE · CHAPTERS 9–13

Informed **use.**

The doors of access and their adverse selection, the tower of costs, the programme's rules of engagement — and the tax chapter, with the exemption that rewards patience. The glossary closes.

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09 The doors **have opened.**

For decades the private markets were a club for institutions and great fortunes; today the doors have multiplied — ELTIFs, semi-liquid funds, lowered thresholds, networks that promote. This chapter maps the doors actually available in Italy, with the requirements of each and the question to ask at every threshold: who enters here, and what do they really find on the other side?

9.1 The institutional doors: reserved FIAs and thresholds

The historic door is the **reserved FIA** (FIA riservato) — the alternative investment funds destined for professional investors. The non-professional private investor can access them, in Italy, under three alternative conditions set by the rules: a minimum investment of **€500,000**; or — thanks to a relaxation introduced in 2022 — an entry from **€100,000**, provided it takes place **within an advisory relationship** and does not push the total invested in reserved FIAs beyond **10 per cent of one's financial portfolio**; or, again from €100,000, **through a portfolio manager** investing on the client's behalf. It is the route by which substantial estates reach the true institutional funds, feeders included.

The thresholds are not blind bureaucracy: they embody a judgement on the nature of these instruments — multi-year commitments, binding capital calls, none of the protections of a retail product — and a common-sense rule that holds even for those who clear them with ease: the 10 per cent limit is a reasonable **indication of size** for the great majority of private portfolios, not an obstacle to be circumvented. Whoever takes this route should do so with the genuine advice the rule presupposes: the selection of chapter 5 cannot be improvised at the hundred-thousand-euro threshold.

9.2 The ELTIF: the European passport for retail

The door designed expressly for the public is the **ELTIF** — *European Long-Term Investment Fund* — the European wrapper for long-term investments (unlisted companies, credit, infrastructure) that can be distributed to non-professionals as well. The first version, from 2015, had remained close to a dead letter through sheer rigidity; the reform known as **ELTIF 2.0**, applying since January 2024, relaunched it: **the old entry thresholds removed** (the €10,000 minimum and the 10 per cent cap for portfolios under €500,000), the eligible assets broadened, the road opened to **semi-liquid** structures with redemption windows. In place of the thresholds, MiFID safeguards: the distributor must assess the investment's suitability — horizon, knowledge, capacity to bear illiquidity.

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The result is a market in full bloom, in Italy too: ELTIFs of private equity, of direct lending, of infrastructure, of secondaries — many in evergreen format with quarterly gates, distributed by the networks with minimums of a few tens of thousands of euros or less. It is genuine progress: a regulated European structure, retail-grade transparency, real access to strategies once out of reach. With the warning that runs through this whole part of the guide: **the wrapper is good; the contents and the costs must be read case by case** — and chapter 10 will show that precisely in the retail products the costs reach the category's maximums.

> IN PLAIN WORDS
>
> The ELTIF is to the private markets what the scheduled ferry is to the island once reachable only by private boat: a regulated route, an affordable ticket, printed timetables. It is still an island: whoever lands must know that the boat back passes rarely — and on stormy days it stays in port.



FIGURE 14 The doors of access in Italy — Regulatory framework as at September 2026

9.3 Adverse selection: the awkward question about the retail offer

Before choosing the door, a question the brochures never ask: **which strategies make it all the way to the retail public?** The elite funds of chapters 5 and 6 fill by invitation among institutions: they need neither household savings nor the distribution effort they entail. What gets packaged for retail is, structurally, the offer of those who **seek** capital — managers in commercial expansion, large-capacity strategies, products built by the networks in order to be distributed. Not necessarily a bad offer; but an offer **selected by the need to raise**, not by excellence — and the class's dispersion does the rest.

The defences exist. Prefer the segments where adverse selection bites least: the **secondaries** (they buy portfolios at a discount, chapter 4), the **direct lending** of large, cycle-tested managers (chapter 7), the **core infrastructure** of long-standing operators — large-capacity trades where even the

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commercial offer can be solid. Look at who stands behind it: the manager that distributes to retail the same strategy it sells to institutions, on the same economic terms, deserves more trust than the product born only for the branch window. And weigh the intermediary: the bank proposing the ELTIF of its own product house is doing distribution, not selection — the difference between who advises and who sells, the red thread of this series, counts double in the private markets.

KEY TAKEAWAYS

- Reserved FIAs: €500,000, or €100,000 within advice and under the 10% portfolio cap — a threshold that is also wise guidance on size.
- ELTIF 2.0 (since 2024): no more thresholds, broader assets, semi-liquid formats; in their place, the MiFID suitability test. Good wrapper, contents to be read.
- The awkward question: the elite funds do not need retail — the offer that reaches the branch is selected by the need to raise.
- Where adverse selection bites least: secondaries, cycle-tested direct lending, core infrastructure from long-standing operators.
- Who advises is not who sells: in the private markets the difference counts double.

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10 Two and twenty, **plus the rest.**

Two and twenty: the most famous fee formula in finance lives here. This chapter takes it apart — management fee, carried interest, hurdle — and then adds up the layers the retail product stacks on top: because in the private markets the gap between gross and net return is the widest in all of managed savings, and it must be measured before signing.

10.1 The two: the management fee

The first number in the formula is the **management fee**: traditionally around **2 per cent a year** (today more often 1.5-2 in private equity, less in debt), paid to the manager for the trade — finding, analysing, governing, selling. Two peculiarities set it apart from the TER of an ordinary fund. The first: in classic closed-end funds, during the investment period it is often computed **on the entire commitment**, not on the capital actually invested — in the early years, when perhaps a third of the commitment is at work, its incidence on invested capital is a multiple of the headline figure (and it is an important cause of the low stretch of the J-curve).

The second: the management fee is **not the only fixed cost**. The documents list — legitimately — set-up, administration and audit expenses, deal advisory, sometimes fees paid to the manager itself by the portfolio companies. The line that sums it all is the **overall TER** published in the offer documents (for ELTIFs, in the KID): on the category's retail products one frequently reads annual totals of **2.5-4 per cent** — numbers to keep in front of you when weighing the expected return.

10.2 The twenty: carried interest and hurdle

The second number is the **carried interest** (the *carry*): **20 per cent of the fund's profits**, granted to the manager as a share of the result. Almost always conditional on a **hurdle** (or preferred return): the carry kicks in only after the subscribers have received their capital plus a minimum return, typically **8 per cent a year** — with the *catch-up* mechanism that, once the threshold is cleared, quickly restores the manager's full share.

The carry is the defensible part of the formula — it pays for the result, not for presence — but three details measure its quality, and they are read in the fund rules. **Is there a hurdle, and is it real?** Some recent products lower it or drop it. **On what is it computed?** On the entire fund (*whole fund*: the

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manager collects only once the overall result is secured) or *deal by deal* (collecting on the good deals even if the bad ones later eat the total — for the subscriber, much worse). **Is there a clawback?** The clause obliging the manager to return carry collected in excess if the ending disappoints. Three technical questions that mark out the serious contracts — and that no brochure anticipates.

> IN PLAIN WORDS
>
> Two and twenty is the restaurant with a cover charge and a bill on the catch: the cover (2%) is paid regardless, even with an empty aquarium; the 20% is paid on the fish actually served — but only in honest restaurants does the count start after the customer has eaten at least the promised starter (the hurdle), and on the whole menu, not on the single dish that turned out well.

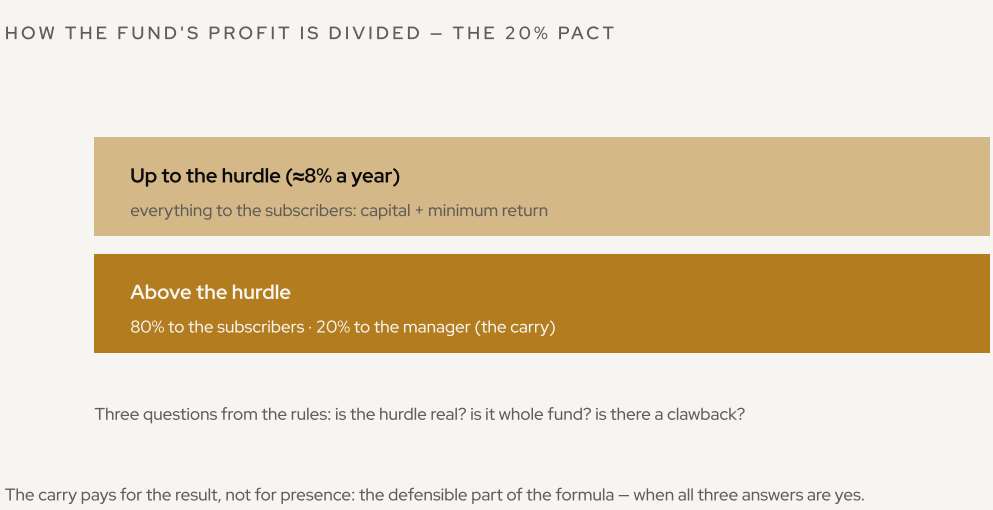

FIGURE 15 How the profit is divided — Illustrative diagram

10.3 The retail layers: the tower of fees

So far, the fund. The product that reaches the saver often adds **layers**: the fund of funds or the feeder places its own management fee (0.5-1 per cent and sometimes an additional carry) on top of the underlying funds'; the distribution loads entry fees (1-3 per cent is not rare); the semi-liquid structures pay for the liquidity machine — monthly NAVs, gates, cash cushions that dilute the return without ever appearing as a cost.

The bill must therefore be done **on the full tower**, from the gross return of the deals down to the net in one's pocket. A realistic exercise on a multi-layer retail product: gross return of the underlying deals, 12; minus 5 of costs cumulated across the floors (management and expenses, carry, retail layers); minus half a point of parked liquidity: the subscriber receives a 6.5 — respectable, but to be compared with what a simple listed portfolio returned over the same decade, without constraints. It is the comparison,

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not the scandal, that matters: private-markets costs **pay for a real trade**; the point is that when the tower grows too tall, the illiquidity premium changes owner — from the subscriber to the supply chain. This series' practical rule, here more than ever: **before any signature, reconstruct in writing the tower of total annual costs**, and refuse the products where it cannot be done.

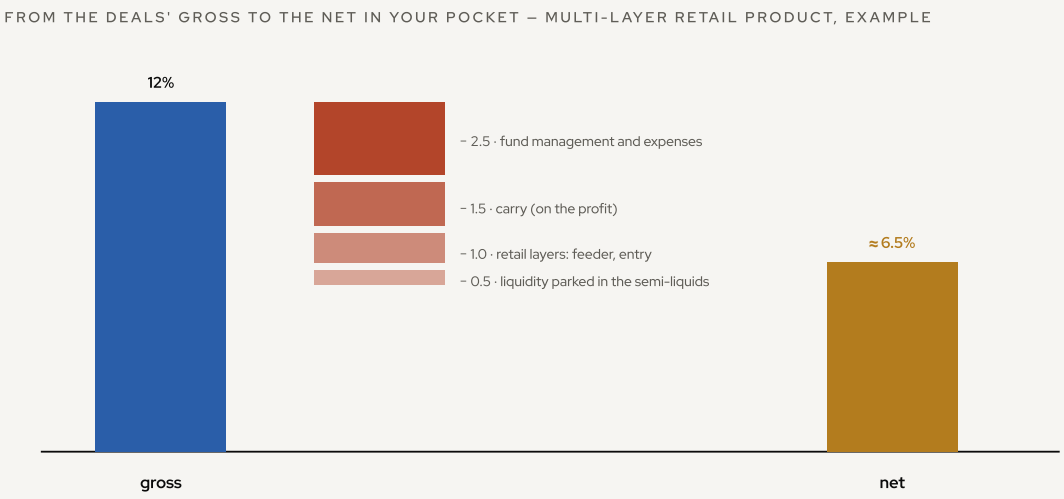

FIGURE 16 The tower of costs — Hypothetical example for illustration

KEY TAKEAWAYS

- The "2": management of 1.5-2 per cent — often on the entire commitment in the early years — plus ancillary expenses: on retail products the annual total reaches 2.5-4.
- The "20": carry on the profit, defensible if the hurdle is real, the computation is whole fund and there is a clawback. Three questions for the fund rules, not the brochure.
- Retail adds layers: funds of funds, feeders, entry fees, the liquidity machine. The bill is done on the full tower.
- When the tower grows too tall, the illiquidity premium changes owner: from the subscriber to the supply chain.
- Signing rule: reconstruct the total annual costs in writing. If it cannot be done, the product has already judged itself.

Invested capital is at risk: its value can fall as well as rise.

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11 A programme, **not a product.**

The illiquidity that does not forgive, the selection that decides nearly everything, the vintages that matter as they do for wine: the risks of the private markets have shapes of their own, and so do the defences. This chapter closes with the rules of engagement: how much, how, over how many years — the craft of building a programme instead of buying a product.

11.1 Illiquidity, taken seriously

The founding risk is the one announced in the first chapter: **capital does not come back when it is needed — it comes back when it can**. In closed-end funds the true horizon, between calls and tail-ends, easily exceeds ten years; in the semi-liquids the exit is promised "conditions permitting", and recent chronicles — from the global property funds with gates activated for quarters on end — have shown that conditions stop permitting exactly when everyone asks to leave.

Taking it seriously means three things. **Size on the estate, not on the enthusiasm**: into the private markets goes only the part that, in no reasonable life scenario — house, business, health, divorces, successions — will be needed within the decade. **Do not count the fruit in advance**: distributions are estimates, not due dates; a family plan that needs those flows on fixed dates is a wrong plan. **Remember the secondary market**: the emergency exit exists (chapter 4), at a discount — it is the insurance of last resort, not a strategy.

11.2 Selection and vintages: the two multipliers

Two variables multiply — for better and for worse — everything else. The first is **manager selection**, the theme of chapters 5 and 6: with dispersions of ten points and more a year between quartiles, the choice of fund *is* the investment. For the private investor, the honest translation: either one accesses true professional selection — properly equipped independent advisers, institutional programmes, quality funds of funds — or one stays in the segments where dispersion is lower and the commercial offer can suffice (debt, secondaries, core infrastructure). The illusion to avoid is the third way: picking, alone, from the sofa, the right buyout fund.

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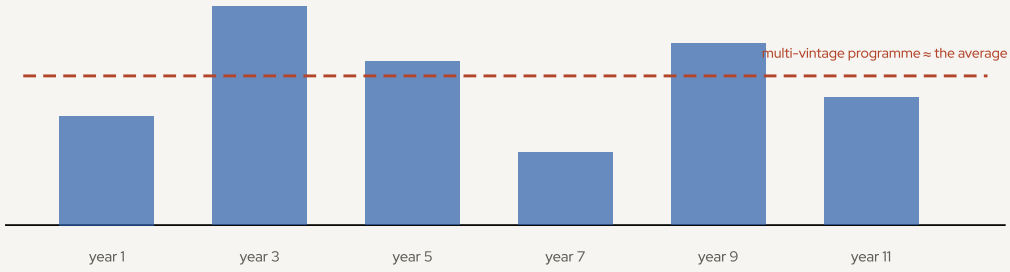
The second variable is the **vintage**: funds that invest in years of high prices and abundant capital gather thin harvests, those that invest after the corrections gather the best ones; and no one knows in advance which vintage they are signing. The defence is not to predict: it is to **diversify across time** — committing capital to several funds across several years, systematically, so that good and bad vintages average out. It is the heart of the next section, and the difference between building a programme and buying the product of the year — usually, by the statistics of commercial flows, in precisely the wrong vintage.

> IN PLAIN WORDS
>
> Fund vintages work like wine vintages, with one cruel difference: the winemaker knows how the season went when he harvests — the subscriber signs before knowing the weather of the five years in which his fund will buy. The only remedy is to buy several vintages: no serious cellar holds a single season.

VINTAGES ARE NOT CHOSEN: THEY ARE AVERAGED — RETURN BY START YEAR, ILLUSTRATIVE EXAMPLE



You sign before knowing the weather of the five years in which your fund will buy: the only defence is to commit, systematically, across vintages.

FIGURE 17 Vintages are averaged — Illustrative example

11.3 The rules of engagement: the programme, not the product

Let us close the part with the operating rules, in the tradition of this series.

- **The size**: for most suitable private estates, a sensible private-markets allocation lives between 5 and 15 per cent of the financial portfolio — the regulatory 10 per cent cap for reserved FIAs is a good anchor — and it is reached **gradually**, over years, never in one signature.
- **The programme**: several vehicles, several families (debt and real assets for the flows, equity for the growth), several vintages. Whoever cannot afford the programme — for capital or for patience — is better served by a good listed portfolio than by a single private fund.

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- **The liquidity alongside**: uncalled commitments parked in safe instruments, and a listed estate around them deep enough to absorb any surprise without touching the private side.
- **The questions to ask in writing**: a track record verifiable with PME and DPI, not IRR alone; the decomposition of the returns (chapter 5); the full tower of costs (chapter 10); the carry and clawback terms; for the semi-liquids, the exact rules of the gates.
- **The register**: commitments, expected calls, distributions, deadlines — private holdings are administered, not forgotten.

And rule zero, the thread of the entire series: every entry into the private markets must **win a written comparison against the listed alternative** — the global equity ETF, the bond portfolio — on horizon, costs and scenarios. If the comparison has not been made, it is not an investment: it is a signature.

KEY TAKEAWAYS

- Take illiquidity literally: into the private markets goes only capital that no life scenario will need within the decade. Distributions are estimates, not due dates.
- Selection is the investment: without access to professional selection, stay in the segments with lower dispersion.
- Vintages matter as they do for wine, but are signed blind: the defence is committing across several vintages, systematically.
- A size of 5-15 per cent reached over years; a programme across families and vehicles; solid liquidity alongside; an administered register.
- Rule zero: every entry wins a written comparison with the listed alternative — or it is not an investment, it is a signature.

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12 Settling up **with the taxman.**

An ordinary rate with the usual asymmetry, a relief — the alternative PIR plan — capable of zeroing it entirely, and an entanglement with generational transfer that a ten-year investment cannot ignore. This guide's tax chapter has fewer labyrinths than the certificates one, and a bigger prize at stake: full exemption, for those who respect the rules of patience.

12.1 The base rule: the funds drawer

For the Italian tax system, the private-markets investor normally holds **units of funds** (OICR — FIA, ELTIF): taxation therefore follows the rules for funds, already met by readers of the ETP guide. The **proceeds** — the distributions received and the gain realised on redemption or sale of the units — are **redditi di capitale** (capital income), taxed at **26 per cent**; under the regime amministrato — the administered regime, in which the intermediary acts as withholding agent — the tax is applied at source and nothing passes through the tax return.

An old acquaintance returns as well: the **asymmetry**. Any **capital losses** realised on the units are **redditi diversi** (miscellaneous income) — they feed the loss "backpack" (the zainetto fiscale), which can be offset within four years against gains on shares, bonds or certificates — while the gains, being capital income, **cannot draw** on the backpack. Readers of the certificates guide will recognise the overall design: fund losses charge up a credit that only other instruments can spend. A note on perimeter: whoever invests through vehicles other than funds — club deals in companies, direct shareholdings — leaves these rules and enters those of participation income: another world, to be handled with a tax adviser, never by approximation.

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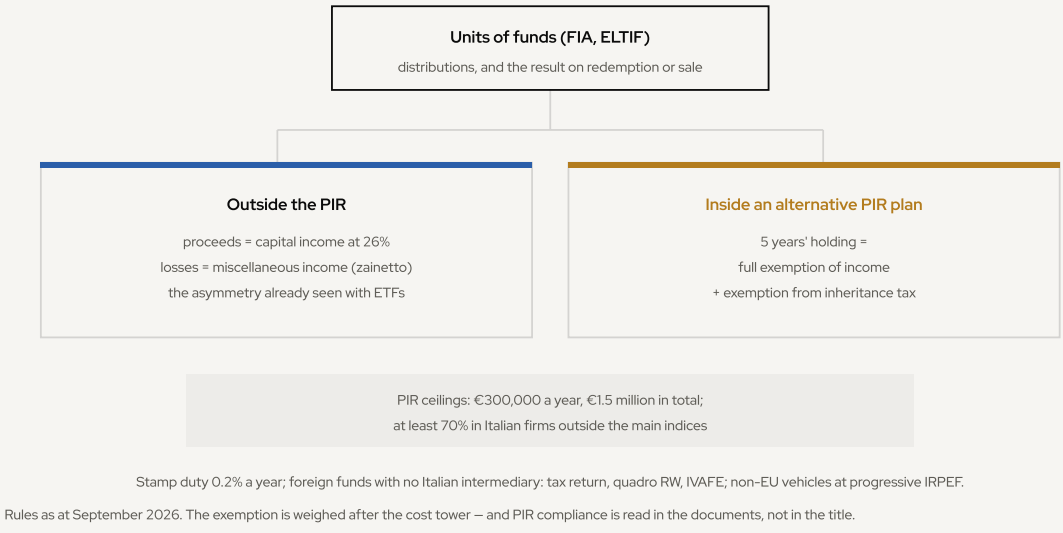

FIGURE 18 The tax path of private markets — Regulatory framework as at September 2026

12.2 Alternative PIR plans: the patience that zeroes the tax

Here lives the most powerful — and most ignored — tax advantage in the entire landscape of Italian savings. The **PIR alternativo** (the alternative PIR plan), introduced in 2020, is a tax wrapper designed precisely for the private markets: it can hold units of FIAs, ELTIFs, private debt and equity, provided the portfolio meets the legal requirements — in short, at least **70 per cent invested in instruments of Italian companies outside the main stock indices**, with concentration limits per issuer.

The fiscal pact is simple and radical: by holding each investment for **at least five years**, all of its income — capital and miscellaneous alike — is **fully exempt** from tax; and the instruments inside the PIR are **exempt from inheritance tax**. The ceilings are sized for real estates: up to **€300,000 a year**, to a maximum of **€1.5 million overall** per person. On an investment yielding, say, 7 per cent a year for ten years, the exemption is worth more than twenty percentage points of final capital: not an optimisation — a change of category.

The warnings, to keep feet on the ground: the benefit rewards what the 70 per cent requirement imposes — a concentrated exposure to Italy's small and mid-sized economy, which is an investment choice before it is a tax one; many Italian ELTIFs are born "PIR-compliant", but the compliance must be verified in the documents, not in the title; and the exemption's arithmetic must always be done **after** the cost tower of chapter 10 — a 26 per cent relief on a product costing 4 a year enriches the supply chain before the subscriber. Tax, as always in this series, chooses between two good investments: it does not save a bad product.

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IN PLAIN WORDS

The alternative PIR plan is a fiscal greenhouse: whatever grows inside it for at least five years matures free of all tax — on the fruit, and even on the passage to one's heirs. But the greenhouse dictates the climate: inside, one grows mostly Italian plants. Enter it to grow what you would have planted anyway, not for love of the greenhouse.

12.3 The trimmings: stamp duty, foreign vehicles, regimes

The administrative trimmings are those familiar to readers of this series, with one extra complication for foreign vehicles. The **imposta di bollo** (stamp duty) of 0.2 per cent a year applies to units held with Italian intermediaries. Under the **regime amministrato** — much the preferable route here too — the bank or fiduciary company acts as withholding agent for taxes and filings.

Whoever instead subscribes to **foreign funds with no Italian intermediary** — the Luxembourg feeder signed directly, the foreign-law fund placed by a private bank across the border — enters the regime dichiarativo (the self-assessment regime) with its full kit: **quadro RW** (the foreign-asset monitoring section of the tax return), **IVAFE** (the tax on foreign-held financial assets) in place of stamp duty, and a distinction that weighs: the 26 per cent applies only to European funds, either UCITS-compliant or with a manager supervised in an EU or EEA State; the proceeds of a non-EU or unsupervised vehicle (the Delaware or Cayman feeder through which many American funds raise) are instead added to total income and pay progressive IRPEF, up to 43 per cent. Nothing prohibitive for those with a well-equipped accountant; a burden systematically underestimated by those who sign foreign forms drawn in by the product. The practical rule: **strategy being equal, prefer the route that passes through an Italian intermediary** — the fiscal simplification is often worth more than a few decimals of terms.

12.4 The decade and succession: the taxation of long time

A commitment of ten to twelve years statistically crosses the events of a life — and the planning must know it **before** the signature. On succession, fund units **enter the taxable estate** at their value and incur the tax under the ordinary allowances and rates: no government-bond-style exemption — with the exception, just seen, of the instruments inside a **PIR alternativo**, which pass exempt: for an estate above the allowances, a second — successorial — reason to use that wrapper.

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Two practical matters complete the picture, to be settled in the documents at subscription. The **commitments not yet called**: the obligation towards the fund does not die with the subscriber — it passes to the heirs together with the unit; whoever plans must know they are transmitting an obligation as well as an asset, and the liquidity to honour it must be provided for in the succession design. The **titling**: fiduciary arrangements, joint holdings and corporate vehicles change the timing and manner of the transfer — matter for a planner, not for a subscription form filled in a hurry. This chapter confines itself to planting the flag: **an investment longer than a family life-cycle is designed together with the succession**, or endured together with it.

KEY TAKEAWAYS

- Units of funds: proceeds and gains = capital income at 26 per cent; losses = miscellaneous income. The ETF asymmetry, all over again.
- Alternative PIR plan: 5 years' holding = full exemption (income and succession), ceilings of €300,000 a year and €1.5 million. A change of category, for those who would have bought those assets anyway.
- PIR compliance is verified in the documents; and the exemption is computed after the cost tower, never before.
- Foreign funds without an Italian intermediary = self-assessment, quadro RW, IVAFE; and if the vehicle is non-EU, progressive IRPEF instead of 26: strategy being equal, prefer the Italian route.
- Inherited units pay inheritance tax (the PIR aside), and commitments pass to the heirs: the decade is designed together with the succession.

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13 The language of **private markets.**

The words of the private markets, in plain language. More than anywhere else, the jargon here is English by birth: each entry is translated into what it means for the money — and for the patience — of whoever meets it.

13.1 B–C

Buyout. Acquiring control of a mature company, normally with substantial use of debt: the heart of private equity.

Capital call (richiamo). The request with which the fund collects a tranche of the commitment. Binding: whoever fails to pay suffers severe penalties.

Carried interest (carry). The share of profits — typically 20 per cent — granted to the manager, normally above a minimum return (hurdle).

Clawback. The clause obliging the manager to return carry collected in excess if the fund's final result disappoints.

Closed-end fund (fondo chiuso). The classic vehicle: a single fundraising window, capital called in tranches, distributions when holdings are sold, a ten-year life.

Commitment. The capital the subscriber pledges to pay in: it is called down in tranches over the years. Sized on certain liquidity.

Core / value-add / opportunistic. The risk scale of real assets: from stable income with little leverage to the development project with plenty.

13.2 D–F

Direct lending. Loans negotiated directly by funds with mid-sized companies, at floating rates: the main form of private debt.

DPI (distributions to paid-in). How many times the capital paid in has already come back as distributions: the measure made of money, not of estimates.

Dry powder. Capital raised by the funds and not yet invested: waiting, and under pressure to be deployed.

ELTIF. The European wrapper for long-term investments open to the public; version 2.0 (since 2024) removed the entry thresholds, replaced by the suitability test.

Evergreen (semi-liquid). A fund with no maturity and no calls: you enter at NAV, you exit in the periodic windows — within the limits of the gates.

Feeder. A vehicle that pools many subscribers and carries them into a larger fund: an access pipe, with the pipe's costs.

FIA. Alternative investment fund: the European legal clothing of private-markets funds. "Reserved" FIAs require €500,000, or €100,000 within advice and up to 10 per cent of the portfolio, or €100,000 through portfolio management.

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Fund of funds (fondo di fondi). A fund investing in other funds: diversification across managers and vintages, a second layer of costs.

13.3 G–N

Gate. The per-window limit on redemptions in semi-liquid funds (for example 5 per cent of assets per quarter): the clause reminding you that semi-liquid does not mean liquid.

GP (general partner). The fund's manager: it selects, invests, governs, sells — and co-invests capital of its own.

Growth equity. Qualified minority stakes in fast-growing companies: less leverage and less control than the buyout, more trajectory.

Hurdle (preferred return). The minimum return — typically 8 per cent a year — owed to the subscribers before the carry kicks in.

IRR (internal rate of return). The annual rate equating payments and receipts weighted by their dates. It rewards speed: always read together with the multiples.

J-curve. The closed-end fund's profile: value negative first (calls and costs), then positive (revaluations and sales). Physiology, not defect.

LP (limited partner). The subscriber: capital yes, management no, liability limited to the commitment.

NAV. The unit value computed periodically by the manager from valuations, not from market prices: a serious estimate, with margins of judgement.

13.4 P–S

PIR alternativo (alternative PIR plan). The Italian tax wrapper for the private markets: with 5 years' holding, full exemption of income and from inheritance tax; ceilings of €300,000 a year, €1.5 million in total; at least 70 per cent in Italian companies outside the main indices.

PME (public market equivalent). The correct comparison with the stock market: the same flows, on the same dates, invested in the listed index. Always to be requested.

Private debt. Credit extended by funds outside the banking and bond channels: direct lending, mezzanine, special situations.

Private equity. Capital in unlisted companies, typically with control: buyout and growth.

Real assets (attivi reali). Infrastructure, real estate, energy: physical assets with long-term flows, often inflation-indexed.

Richiamo. The Italian term for the capital call — see that entry.

Secondary market (secondario). Where closed-end fund stakes change hands before maturity, normally at a discount to NAV: emergency exit, and thermometer of the true values.

Semi-liquid (semiliquido). See evergreen.

Smoothing. The polishing of returns produced by periodic NAVs on unlisted assets: low apparent volatility, economic risk intact.

Subscription line. The credit line with which the fund delays its capital calls: it shortens the subscribers' flows and inflates the IRR.

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13.5 T–W

TVPI (total value to paid-in). Distributions plus estimated residual value, relative to the amount paid in: the complete picture, half money and half opinions.

Venture capital. Capital for young, high-potential companies, in successive rounds: power-law returns, where few winners pay for all.

Whole fund / deal by deal. The two ways of computing the carry: on the fund's overall outcome (the correct way) or on the individual successful deals (worse for the subscriber).

Vintage. The fund's start year, which defines its investment cycle: one signs before knowing the weather — hence the diversification across several vintages.

KEY TAKEAWAYS

- The jargon is English by birth, but the concepts are four: commitment, patience, selection, costs.
- When an acronym stalls you, the answer is here; when the answer is not enough, the fund rules and the offer documents prevail.
- No glossary replaces rule zero: the written comparison with the listed alternative, before any signature.

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PARTING WORDS

Patience is **only the beginning.**

This guide ends here; the decisions do not. The private markets ask what no other asset class asks for in writing — a decade of trust — and they repay it only within a design: the right size, a programme across several vintages, selection worthy of the task, all of it in the service of a wealth plan that comes before any product.

If questions about your own situation surfaced while reading — how much of your wealth can truly commit itself for that long, which doors make sense for you, how to judge the proposal sitting in your drawer — that is the sign that the most useful part of the work begins now.

A confidential conversation, without obligation, is the simplest way to find out together. The contact details are on the last page.

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To be read, **before deciding.**

This guide serves an exclusively educational and informational purpose. It does not constitute investment advice, a personalised recommendation, a solicitation of public savings or an offer of financial instruments. Investment decisions should be taken only after an assessment of one's personal situation — objectives, time horizon, capacity to bear losses — where necessary with the assistance of a professional.

Invested capital is at risk. The value of any investment can fall as well as rise; past performance is not indicative of future results. Private-markets investments are illiquid: capital stays locked up for years, distributions carry no guaranteed dates, and early exit, where possible at all, typically takes place at a discount. They are not suitable for the generality of savers.

The data and rules cited are updated to September 2026, unless otherwise indicated. Legislation — tax law in particular — changes over time: before any decision it is worth verifying that the framework described is still current. Market data come from public sources and industry estimates believed reliable (McKinsey, Preqin, Invest Europe, regulatory documents), which are nonetheless not guaranteed.

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