

Global Fund Finance Symposium— a 10-Point Summary

26 March 2019

On 25–26 March, Debevoise sponsored and spoke on a panel at the Global Fund Finance Symposium in Miami hosted by the Fund Finance Association. We have summarised below a few of the key topics discussed during what was an enlightening event for all those in attendance.

Debevoise & Plimpton

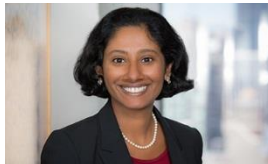
- **Market trends.** Prequin reports continued growth in the fund finance market. Although data is to a certain extent anecdotal (as it relies on sponsors disclosing the existence of their facilities), Prequin estimates that around 60% of sponsors are using fund-level financing. There is therefore still capacity for further growth in the market.
- **Market size.** At present, there are record levels of assets under management in private capital—\$5.8 trillion.
- **Market cycle.** As a counterpoint to the reports of market growth, the vast majority of investors feel the current investment climate is close to the peak of the investment cycle.
- **Facility sizes.** Sponsors are asking for higher advance rates to apply to their limited partners to increase their borrowing base. It remains to be seen whether banks will accommodate this.
- **Abraaj.** The Abraaj issues have not caused a stalling of the fund financing market. Lenders are asking for bespoke changes to facility terms to mitigate the specific circumstances that lead to the Abraaj collapse, but not wholesale changes.
- **GP round table.** There is a concern from sponsors that their ability to borrow under the facility for management fees is being curtailed by lenders.
- **Umbrella facilities.** The pros and cons of umbrella facilities were discussed, with lenders concerned about extra KYC and additional administrative burdens placed on them. Notwithstanding this, in our experience, the use of umbrella facilities is increasing.

- **Drivers of private credit.** There was an interesting discussion of private credit and the drivers of the product. The panelists acknowledged that the opportunity for private credit arose as a consequence of increased regulation but has grown as a result of the increased returns potential from use of the asset.
- **Fund facilities for credit funds.** Fund level financing is a key element of a credit fund strategy. It is particularly important to tailor the fund-level financing to the investment strategy, have flexibility under the documents to operate the fund as intended and choose lenders who will work with the fund constructively (especially through any downturn).
- **The role of credit funds alongside banks.** On the downstream credit side, banks and credit fund sponsors are increasingly teaming up on transactions. It is not necessarily the case that borrowers have to choose one or the other.

If you would like to discuss in more detail any of the topics covered at the conference, please feel free to get in touch. In particular, a number of topics from the GP-only panel, which we have not touched on in this update, may be of material interest to sponsors.



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