

Asia-Pacific Fund Finance Symposium— A Two-Part Summary

September 27, 2019

On 25 September, Debevoise sponsored and spoke on a panel at the Asia-Pacific Fund Finance Symposium hosted by the Fund Finance Association in Hong Kong.

Below is the second of a two-part summary of a few key topics discussed during what was an enlightening day for all those in attendance. The first part can be found [here](#).

ASIA PACIFIC FUND FINANCE MARKET

- **Participants:** Over the last year, there has been an influx of new lenders into Asian fund finance (although not Chinese banks).
- **Fund documents:** Asian GPs have rapidly developed LPA terms to work for their financing needs, although there are still exceptions (often in specific jurisdictions).
- **Negotiation points in Asia:** Some Asian-focused lenders may ask for skin in the game from LPs before providing capital call facilities. Other lenders may ask for NAV decline tests, which GPs prefer to avoid.
- **Side letters:** Some Asian sponsors prefer not to give side letters to their lenders, which is a borrower friendly position compared to the US and European market.
- **Sovereign wealth funds:** Lenders are generally comfortable with sovereign wealth funds but would pause more if the borrower is an early stage fund with a large concentration of sovereign wealth fund LPs.
- **SMAs:** Asian GPs are raising an increasing number of SMAs with capital call requirements. Numerous Asian-focused banks can get comfortable with this construct, depending on the identity of the SMA LP.

FINANCING TOOLS FOR ASIAN FUNDS

- **GP financing:** GPs are increasingly looking for GP co-investment financing in Asia, but there remains a lack of finance providers.
- **FX:** There are two sources of currency risk in Asia. First, transactional FX risk, in the period between signing of an acquisition and closing. Second, "translational" risk, in converting assets from the currency of acquisition to the currency of the fund. Some funds in Asia actively manage these issues, but it is easier and less costly to manage transactional FX risks.
- **NAV financing:** In Asia, there is more of a market for NAV financing for infrastructure funds. It is still an early market for bespoke NAV financing to private equity and other funds in Asia. Many banks in Asia do not yet have the internal infrastructure to provide for GP needs on NAV financing.



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