

FUND FINANCE FRIDAY

August Fund Finance Market Update

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The fund finance markets have been quite consistent over the summer and new developments have been limited. But as we head back to school and close in on Labor Day, below are our recent observations of interest.

Transaction Volume. Our new matter volume year-to-date remains significantly elevated compared to 2020. Consistent with that, our team hours are also up meaningfully year-over-year as well. Unpacking the data a bit, however, July new matter volume was actually down. We opened 40 new fund finance matters globally, down from 58 in 2020. July 2020, of course, had been an all-out sprint for some lenders to support fund sponsors that could not find available lending capacity during the Q2 pullback, so monthly comparisons during the pandemic can be distorting. Consistent with both 2020 and back to 2019, I expect August data to ultimately show a respite; clients are out on vacation, and deal intensity has dialed down a good bit. We still show healthy prospective hours and LPA review counts (albeit more like flat to 2020), so we are gearing up for a post-Labor Day homestretch consistent with the last two years.

Credit Continuum. We have seen a number of traditional subscription lenders move ever so slightly down the credit continuum to both support clients and generate yield over the last six or so months. This is no concentrated-NAV push; but we have seen extended advance rates and some minor reliance on assets. It will be interesting to see if this trend expands as it furthers financing options available to funds later in the lifecycle at bank-lending cost of funds.

Regulatory Inquiries. I am receiving a number of calls from senior bankers preparing to respond to inquiries from regulators on their subscription facility portfolios – far more than in the past. Many of the questions are high-level around jurisdictional differences, country risk, enforcement process and related matters. If people are interested, I am going to lobby for a roundtable session at the FFA's Miami conference where senior bankers can discuss best practices for responding to regulators and compliance with directives.

LIBOR/SOFR Amendments. They are coming. Multiple banks are gearing up to tackle amendment projects across their portfolio.

Staffing Challenges and FFA U. Personnel vacancies and recruiting challenges continue to occupy senior banker and lawyer attention across the board. There are a lot of new bankers and lawyers joining fund finance teams. Please consider sending them to virtual [FFA University](#) on September 21st. We are working hard to get a solid day of training together for new people and have lined up a lot of very senior speakers. The full agenda should be available next week.

My girls went back to school this week: Victoria (6th grade) and Kristina (4th grade). Hope everyone has a great weekend.

