

# FUND FINANCE FRIDAY

## EU Market Update

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We visited London this week in what I was worried might end up feeling like a U.S. government shutdown and trade dispute apology tour. Fortunately, though, it was an interesting week to be in the City, with the Parliament holding votes on both Theresa May's Brexit plan as well as a confidence vote in her government. So the Brits were kind to spare me a political roasting during my visit. We got a chance to spend some time with our new and expanded Cadwalader Fund Finance London team as well as visit with a handful of our London-based clients. Below are some market observations from our trip.

- The fund finance hiring machine is churning in London as well as the U.S. It was fun to visit with clients that were even recently just a handful of origination bankers that are now fully built-out teams mirroring their U.S. counterparts.
- While there are of course syndicated and club deals getting done in Europe, the percentage of bilateral deals is far higher. This has some interesting effects, including a greater percentage of bespoke transaction structures. It also increases the value of experienced advisors, as bankers see fewer of each other's deal structures. It also seems like the bankers don't all know each other as well as they do in the U.S.
- While a lot of uncertainty was expressed around the Brexit outcomes, nobody forecasts a material impact on fund finance. All the lenders we visited were optimistic about 2019 growth potential.
- The craft beer scene in London has really improved in the last two years. While still no Asheville, North Carolina, there are some great local IPAs on tap.
- Creative financing structures like hybrid facilities, NAV-based lending, and equity commitment facilities, etc. seem more prevalent in Europe compared to the U.S. We are going to see if we can find data to support this impression.
- As in the U.S., there are lenders in Europe grappling with exposure limits. Crafting solutions to these challenges will be an active part of 2019.

- The effects of the Abraaj situation are still being worked through, with the primary impact for now being a likely tightening of some terms in the financing documents. The events surrounding Abraaj do not appear, however, to have had any impact on the appetite for fund financing in the European market, which remains strong.
- The market continues to attract new entrants.
- The competitive environment has led to some downward effect on pricing, but financing terms remain relatively uniform.
- A shout-out to Cadwalader's five new fund finance colleagues in London. I was impressed from top to bottom with their legal substance and business acumen. Their commitment to doing a great job for their clients is relentless.