

FUND FINANCE FRIDAY

Catching Up From the 2023 Cadwalader Finance Forum

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CADWALADER FINANCE FORUM

NAVer Fear: New Approaches in the NAV and Secondary Market

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Angela Batterson



John Brown



Andie Goh



Michael Vasseghi



Dadong Yan

Angie Batterson

The conference ended late on Thursday with an awesome panel on NAV led by Angie Batterson, a fund finance partner in the New York office, who was joined by Andie Goh, *Managing Director* in the Ares Credit Group, John Brown, *Managing Director* at The Carlyle Group, Michael Vasseghi, *Head of Insurance Solutions* at Morgan Stanley and Dadong Yan

Head of Alternative Investment Solutions at MassMutual. The burning question of the day, other than did the panel want red, white or rose delivered to the speakers' table, was what exactly is NAV. The panel spent a great deal of time deliberating the question, and while reasonable minds can disagree as to the exact definition, it was clear that NAV is typically a very bespoke credit solution provided to private equity funds to meet their capital needs in ways that sub-lines cannot. The panel also concluded that many NAV transactions work to provide leverage and liquidity to funds in lieu of sales of assets in the secondaries market. Most importantly we learned that while NAV has been around for years, its recent growing popularity is here to stay and everyone on the panel sees unlimited growth in the space in the future. NAV has a long way to go to become a mature market, but for those in attendance we learned that, like wearing sparkly leopard print to a conference instead of the long accepted blue or black suit, the NAV market is uniquely positioned to find creative and bold solutions to complex capital needs in today's rapidly changing environment in ways that are far more flexible and interesting than last year's run of the mill loans. Peanut butter and Nutella anyone? Cheers!

Coming of Age: What's Next for a Maturing Fund Finance Industry?



Tim Hicks

Another highlight of last week's Finance Forum was a fireside chat between Tim Hicks and Jeff Johnston, Co-Head of Fund Finance at EverBank, N.A., to discuss what is next for the maturing fund finance industry.

The discussion kicked off covering the key indicators of the pending bank failures that many missed in 2022 and how the markets have shifted in the immediate aftermath. Jeff gave his insights on the importance of multiple touchpoints between a borrower and a banking institution to incentivize that institution's willingness to extend a subscription credit facility and the rise of non-bank lenders in the fund finance space. The discussion also pointed out that a borrower's track record of borrowing under a facility now plays a role in whether a facility will be extended for a longer tenor, and the days of large, syndicated facilities have not ended.

The general take away for the discussion was that the desire for fund finance products has not waned in the wake of the early-2023 market turmoil. The chat concluded with an optimistic

outlook for 2024 and a general view that creativity in developing innovations to relieve liquidity constraints and the emergence of new lenders and sources of capital are needed to meet the growing demand for fund financings.

A New Chapter in Fund Finance



Leah Edelboim

At this year's Finance Forum, we took a different approach on some of our presentations from years past. After an unexpected year for the fund finance, we introduced fireside chats with some of the industry's most interesting and influential members. New York Fund Finance partner Leah Edelboim moderated *A New Chapter in Fund Finance* featuring Brad Boland and Charlie Owens, each of whom is a senior managing director at The Huntington National Bank.

Brad and Charlie are familiar names to many of us in the fund finance industry as two of the original players in this business. They were most recently at Signature Bank, where each was a managing director and a founding member of the bank's Fund Banking Division. In June, The Huntington National Bank announced the addition of a fund finance banking team to support its sponsor finance business within the Commercial Bank. The 10-person team, each member of which was previously at Signature Bank, is led by Brad and is based in Charlotte and New York.

We had a standing-room-only crowd for this interesting and enlightening discussion. There are a lot of things that are interesting and remarkable about Brad and Charlie, but something that we highlighted in our discussion is that the two have worked together for over 18 years at four separate institutions. That is an incredible partnership. They began working together at Bank of America, where they worked on their first sublines. From there, they moved to Wells Fargo, where they built a fund finance business, along with some other very well-known industry players. Next they moved to Signature Bank, where they had the opportunity to build a fund finance business from scratch again and drive value. We touched on their experience with the FDIC receivership of Signature, which occurred in March of this year. It was particularly interesting to hear what it was to be "in the room" when those events occurred. Their leadership in those moments certainly shone through as they discussed how they managed the various constituents and put their clients and their team members first. We noted that, at the end of the day, this was a business that had no delinquencies and no losses.

We then moved on to discuss the fund finance business they are building at The Huntington National Bank. We discussed how they are taking all the lessons they learned in their past roles and using it to build out the business, the infrastructure and the deal pipeline. Significantly, we discussed the growth that we have seen in the fund finance industry and the proliferation of financing sources available. Brad and Charlie serve as models for those coming up in the industry in terms of their deep understanding of the product and how fundamentals must always be part of the equation when structuring and documenting deals. They also discussed how they are developing the next generation in the industry with many of the bright stars on their team.

We ended the panel with the two of them turning the tables on me and asking me a question. Just like Brad and Charlie to keep me on my toes!