

Finance Forum Recap

November 15, 2024



A record breaking 850 financial industry leaders and professionals from around the country participated in Cadwalader's eighth annual Finance Forum in Charlotte this year. It was great to discuss the latest market trends and opportunities across various sectors. Keep reading for coverage of some of the Finance Forum panels:

The Business of Fund Finance

[Leah Edelboim](#) led a panel along with [Mike Mascia](#), the Co-Head of Fund Finance at EverBank, and [Adam Zotkow](#), the Head of Alternative Markets Group at Goldman Sachs. Here are some key takeaways:

- Fund finance is a field that has seen great growth and innovation, particularly over the last few years.
- Advances in the field are driven by both new entrants in the field and existing lenders who are willing to evolve.
- Now is a very exciting time to be in fund finance, as lenders seek to meet liquidity and investment needs of funds in a complicated fund raising, regulatory, and investment environment.
- After years of discussion, this year, the market saw the first securitization of capital call facilities and the intersection of fund finance and structured products will be an important space to watch.

The New Normal: Fund Finance Market Trends in 2024

[Tim Hicks](#) and [Trent Lindsay](#) led a panel along with [Vicky Du](#), the Global Head Fund Finance at Standard Chartered Bank, [Laurie Lawler](#), the Managing Director at Société Générale and [Kelly Rocchio](#), the Senior Vice President at M&T Bank. Here are some key takeaways:

- Cadwalader is on track to exceed 2023 in the number of fund finance transactions and has already represented more fund finance lenders than in the prior year.
- There has been a decline in the number of sponsors, indicating slower fundraising and the increasing dominance of top sponsors.
- This has been the year of the amendment – there were more extensions relative to new deal origination.
- Commitments to NAV facilities by Cadwalader clients hit an all-time high in 2023 and the past three quarters point towards a strong 2024 as well.
- The length of time from term sheet to closing was a record in 2023. While we don't have full data from 2024, deals are still dragging, largely due to the pace of fundraising.
- Margin hikes – in 2023, two-thirds of amendments included a margin increase. The equivalent number in 2024 is one-half, with some decreases in the latter half of the year.
- The portion of deals syndicated within 18 months of closing increased in 2023 but declined in 2024. The decline is in part due to the entrance of more middle market lenders doing bilateral deals.
- For similar reasons, the average size of facilities declined in 2024.

- The most striking recent trends are the entrance of alternative lenders and the turn towards securitization in the fund finance market.

NAV Financing: The Path Forward Under Investor and Regulatory Scrutiny

Patrick Calves led a panel along with **Ginny Chiarello**, the Managing Director at Barings, **Derek Dillon**, the Managing Director at Apollo, **Aryeh Landsberg**, the Director at Barclays, and **John Sciales**, the Vice President at Evercore. Here are some key takeaways:

- The NAV financing market has received increased scrutiny over the past year as investors and the legal press have been focused on how sponsors are deploying NAV loans.
- Most of the scrutiny is focused on a single use case where a fund uses NAV loan proceeds to make distributions to its investors.
- However, the large majority of NAV loans are used for different purposes, most of which are to support or expand a fund's investment portfolio (which most investors support).
- NAV Loans will remain a popular financing tool for funds as they are a useful tool for funds to access additional capital and are priced attractively compared to other alternatives.
- Increased communication with and education of investors should help address investor concerns, as well as more familiarity with NAV Loans over time as they become more prevalent in the market.

NAIC Current Updates and Hot Topics

Angie Batterson and **Gregg Jubin** led a panel along with Phil Titolo, the Managing Director at Hunter Point Capital, and Michael Vasseghi, the Head of Insurance Solutions at Morgan Stanley, that focused on recent deals being done by insurance companies in the NAV and Rated Feeder fund space.

The panel discussed the NAIC's original statements regarding capital treatment for various insurance company financing structures and how those statements led to a slowdown of deals being done in 2023. After clarifying guidance from the NAIC, a sort of rules of the road playbook, in March of 2024, deal flow has seen a significant uptick. The panel seemed to agree that deals, be they NAV or Rated Feeders, that are secured by pools of private credit fund loans are most certainly the safest bet for good capital treatment outcomes as they model with sufficient streams of ongoing principal and interest payments to service the debt of the issuer. There were further discussion around deals in the market recently that include a mix of private credit assets and private equity assets such that the private credit assets could send up cash to the service the debt from day one, leaving a little breathing room for the cash flow uncertainties stemming from distributions on the private equity side which are more lumpy in nature. While no one can predict the correct mix of those assets which will work for the NAIC, everyone agreed that current deals in the market are ranging from the 35-50% if private credit fund assets.

The panel also discussed the possible outcomes of future NAIC rulings on deal structures that may or may not occur commencing in 2025 and beyond. While there was unanimous consensus that no one has a crystal ball, all of the panel believes no matter the results the industry will shift and adapt to accommodate both the NAIC's concerns and that insurance money investments in structured products to private equity are here to stay.