



FUND FINANCE FRIDAY

Law360 on Subscription Finance

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Law360 recently featured an article on subscription finance, drawing insight from the team at Ropes & Gray LLP and Y. Shukie Grossman at Gibson Dunn & Crutcher LLP. *FFF* regulars will be familiar with the concepts covered in the write-up: (1) The use of subscription facilities has expanded beyond the initial administrative purpose of intermediating capital calls; (2) It's far more efficient to structure in a facility at the inception of the fund; (3) By allowing a fund to borrow for investments and expenses, subscription facilities can help mitigate the J-curve effect – the tendency towards lower returns early in the fund lifecycle; and (4) Given its cost-of-capital advantage, facility borrowing can be accretive to IRR. This advantage is at its greatest when short-term interest rates are low. The full article is available by subscription [here](#).