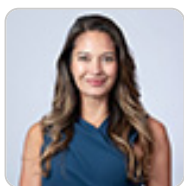


FUND FINANCE FRIDAY

Hong Kong: An Exciting Week Ahead

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Media coverage worldwide of the recent protests in Hong Kong has told a story of civil unrest and occasionally violent tension between protesters and the police (in their own right and as a proxy for the government). The protests were triggered by proposed legislation that would have allowed extraditions from Hong Kong to mainland China, but in reality a broader set of issues fuel the protesters' discontent, hence the continuation of the protests following the Chief Executive's commitment to withdrawing the extradition bill.

The vast majority of protests and protesters have been peaceful, and Hong Kong's day-to-day life carries on with remarkable continuity. In light of this, the Fund Finance Association will be pressing ahead with its 3rd annual Asia-Pacific Fund Finance Symposium in Hong Kong next week. Keynote speaker Goodwin Gaw, chairman of Gaw Capital Partners, is expected to be a particular highlight of the conference, much as Judith Li, partner at Lilly Asia Ventures, will be as the keynote speaker at a pre-conference breakfast hosted by Women in Fund Finance.

The fund finance market in Asia has evolved significantly over the last three years. Most of the partnership agreements we review now include express provisions for borrowing and the granting of security and are (for the most part) bankable. However, there are still sticky points frequently discussed between lenders and funds, such as limitations in partnership agreements on overcalls following default of an LP and consent requirements for transfers of LP interests.

In terms of lenders, the Asia-Pacific market is certainly more crowded than it used to be, with activity centred in Hong Kong, Singapore and Australia. Some banks are offering capital-call facilities on a relationship basis only, whilst others are focusing on it as one of their key lending products. We have noticed more funds utilising such facilities and openly comparing term sheets to optimise deal terms.

As fund sizes have grown in Asia, so too have the size of capital-call facilities, and we are seeing club and syndicated deals on a regular basis, particularly for funds which have taken out smaller facilities for their second and third funds and are now setting up their subsequent funds. We have also noticed a rise in the use (and availability) of GP and LP financing.

It is an exciting time in Asia, both for fund financing and from a macro-economic and political perspective. The Asia-Pacific Fund Finance Symposium in Hong Kong is sure to raise some interesting discussions this year. The panels will be addressing trends in the Asia-Pacific fund finance market, the legal and regulatory hurdles which lenders and fund managers have been facing, views on fund financing from sponsors, and a look at the opportunities and challenges in, for and in respect of China.

We look forward to seeing you there!