

A horizontal banner with a green-to-blue gradient background. The text "FUND FINANCE FRIDAY" is centered in a white, sans-serif font. The banner is framed by a white grid pattern that curves inward from the corners.

FUND FINANCE FRIDAY

Continued Growth in 2019? An Update from the Cadwalader Finance Forum

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Cadwalader hosted the third annual Finance Forum in Charlotte, North Carolina, earlier this month. As with prior years, a fund finance breakout panel was on the agenda and was well-attended by industry participants. Interestingly, all three of the bank-side panelists forecasted continued extensive growth for the subscription facility market in 2019. With all the talk in the market around lenders hitting product and per-sponsor exposure caps, we were pleasantly surprised by the optimistic forecasts. Prior to the panel, we had been forecasting far more moderate industry growth for 2019. Growth for the past five years has been driven in part by growth in private equity fundraising but also in large part as a result of penetration into new fund families which had not historically used facilities. Now, with near market saturation, we believe growth via new sponsor penetration has largely run its course. We also think lenders will be somewhat preoccupied internally managing the increased loan volumes they have added in recent years – hiring, credit box adjustments, interfacing with regulators, etc. While the Finance Forum panelists recognized these challenges, their view was that market forces will easily push outstandings forward in a double digit sort of way. Cheers to that!