

FUND FINANCE FRIDAY

The Numbers Are In

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Last week we reviewed our 2019 U.S. fund finance activity in the lead-up to the Miami conference. Immediately apparent is the tremendous growth we experienced in 2019. We counted 73 participating lenders financing deals to 156 sponsors, both numbers up by roughly 70% year-over-year.

Much of the growth came from smaller transactions and a more diverse list of sponsors. The average subscription deal size measured \$198.6 million, down from \$381.6 the prior year. Smaller deals meant an increase in the share of bilateral deals, and the trend towards simpler structures was evidenced by relatively fewer hedge facilities and cascading pledges.

The net result of these trends is that the dollar volume originated during the year declined. We saw total dollar commitments for our representations moderate by 7% to \$54.32 billion. This decline may be an indicator of the intensifying competitive environment – lenders had to work harder for each dollar originated. Deal pricing also trended modestly lower.

The first few weeks of 2020 have certainly continued the momentum we felt in 2019. Our business indicators point to a robust transaction pipeline. We continue to see significant room for further growth in fund lending broadly based on further growth in private markets and the overall value proposition of fund finance to the bank balance sheet.