

# FUND FINANCE FRIDAY

## Maples Group Shares Market Views

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Amid the global COVID-19 pandemic, opportunities continue to arise in the fund finance space for both banks and borrowers alike. The markets are showing some signs of calm this week, and all parties are looking for new opportunities to continue and grow business. Private equity firms, in particular, are looking more closely at distressed asset investments that are now available at discounted prices, and general partners are already identifying new business investments across the more suddenly successful technological, pharmaceutical and biotech markets. Many managers with dry powder are investing with a view to medium-term investments and a hopeful eye on a Q3 or Q4 return, while general partners are looking to defend the value of existing portfolios. Those general partners are looking to refinance and restructure certain holdings and create portfolio-level debt financing, with the aim of avoiding any breach or calls under existing financing structures.

The Maples Group is helping lenders and general partners to successfully structure this while protecting solvency by using Cayman Islands' bankruptcy remote structuring and ring-fenced investment vehicles. We are noticing that lenders are also being reactive and versatile, offering financing in true hybrid form and relying on typical subscription lines of credit collateral as well as downstream assets, co-mingling the subscription and NAV products. We are also seeing some managers swap debt for equity by using Cayman Islands preferred share structures, as well as an increase in hedge and derivatives products across the market. Some leveraged funds are dusting off their 2008 experience by investing in U.S. CLO AAA notes, as valuations dip below 2008 pricing, to target returns in the low teens from what are viewed as future par assets.

Conditions are changing daily, but as everyone is settling into new ways of working, the home office seems to be inspiring nimble action and encouraging the identification of new products and structures. We are certainly looking forward to what the next few weeks will bring to the table.