

FUND FINANCE FRIDAY

October Fund Finance Update

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Despite all the October uncertainty around a stimulus package, the elections and a vaccine, Fund Finance continued its steady consistency into the 4th Quarter. Below are our recent transaction observations as well as our updates on the market more broadly.

Steady As It Goes. While this week felt a little cramped with the bank holiday in the U.S. on Monday, the market has remained quite steady the past several weeks. Several large, syndicated transactions closed, including one with over 15 lenders. We also continue to see growth in SMA deals trending back towards historical levels, including some recent syndicated SMA closings. Deal activity remains robust, although the post-Labor Day bump has not yet exceeded the March and April accrual rate. It is quite possible that could change in November: Borrower demand continues at an elevated clip, and we saw a record number of deals across our platform go under mandate in September. That pace has not fallen off in the first half of October and appears well on the way to affirming the recent predictions for an outsized 4th Quarter. It does seem, however, like supply is keeping up with demand. Many borrowers are shopping competing term sheets, and we have seen some pricing recently that suggests the march north has tempered.

Earnings Season. We follow bank earnings – from the appropriate social distance – to stay in sync with our clients. A good number of banks released this week, and, in many cases, reported above estimates. I-banking and trading businesses outperformed materially. Lending, on the other hand, was more muted, with net interest margins nearing record levels to the low side. On earnings calls, management teams are, not surprisingly, reporting both challenges finding yield in treasuries and the bond market as well as weak demand in multiple primary sectors. For example, loan demand is reportedly weak for middle market borrowers as well as for corporates that have access to the bond market, thus weighing on origination volumes. Acknowledging our bias, we continue to think this bodes well for fund finance supply. Subscription lending particularly provides banks an opportunity for highly efficient deployment and loan growth with healthy risk-adjusted returns at a time other business lines face more formidable headwinds. Thus, our near-term outlook remains quite positive. Chris van Heerden

on our team is following bank earnings, Q3 fundraising, and the macro closely right now and will take a deeper dive later in the quarter.

The FFA. The Fund Finance Association has been quite active over the last month, with a ton of events and initiatives in the works. To view the master calendar, click [here](#). Some highlights:

- *Virtual Week*. The FFA's Virtual Week conference, scheduled for November 16th through 20th, is coming together extremely well, thanks to the hard work of the EU and Asia planning teams. The full Agenda and speakers should be announced soon, and we hope to have Nick Mitra on an upcoming *FFF: Industry Conversations* to give an update on the keynote speakers and event content. To register, click [here](#).
- *Mentorship Program*. Thanks to the leadership of Tina Meigh at Maples Group, the FFA's Mentorship Program has formally launched. The program is designed to help develop current and future leaders in the Fund Finance space through a supportive network of senior fund finance professionals committed to helping mentor the next generation. The program has initially launched in the U.S., and the team is working hard with the European NextGen committee to roll out in Europe in early 2021. The FFA encourages prospective mentors and mentees to get involved and to support this collaborative initiative. For more information, click [here](#).
- *FFA Diversity Initiative*. The FFA Diversity Initiative is hosting a virtual Happy Hour next Tuesday at 5 p.m. (New York time). The event is designed to gather feedback on steps, projects and events the group can undertake to move the ball in the right direction. To register, click [here](#).

Charles Inkeles. Congratulations to Charles Inkeles who this week announced he recently joined Industrial and Commercial Bank of China as its new Head of U.S. Fund Finance. Charles is one of the nicest people in our industry, and I was thrilled for him to see his new role. We hope to have him on *FFF: Industry Conversations* soon to give us the details.

Finance Forum. Cadwalader's 5th annual Finance Forum will be held virtually this year on November 12th. Here is a short update that Stu Goldstein and I recorded this week giving color on the event game plan and logistics. To register, click [here](#).

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Congrats Brad and Leigh! Congratulations to Signature Bank's Brad Boland, who got married in Santa Rosa, California last weekend! Wish we could have all been there to celebrate with you!



Have a great weekend.