EMERGING AND CONTINUING THEMES IN FUND FINANCE[1]

By Tautvydas Medziukevicius

The panel's conversation centred around the growing trend of mega funds and their impact on the finance industry. Speakers discussed the potential benefits of being acquired, as well as the increasing complexity of private equity investments. They also explored the market dynamics of alternative lending in the private credit market and the significance of rating systems in improving liquidity in the debt market. Finally, speakers shared their experience with NAV lending and the challenges of navigating the evolving landscape.

Rise of Mega Funds

Mark Nielsen discussed the benefits of General Atlantic, a private equity firm acquiring Actis, a smaller infrastructure fund manager. From a borrowing perspective, Actis will be able to utilise now a much larger $100 billion platform. Whereas General Atlantic are diversifying and expanding their expertise in a completely different asset class. Actis's investors will have more confidence in investing into a smaller platform which is backed by General Atlantic and helps raise money in the future as well as provide Actis access to General Atlantic's existing base of limited partners. All limited partners on both sides of the acquisition have consented to the deal.

As Actis are investing in sustainable infrastructure, their investment policy aligns with quite a few banks and their strategies in terms of financing. General Atlantic predominantly invest into technology and have a different profile and therefore work with different banks. ESG is a positive differentiator when it comes to financing and banks which have objectives in terms of funding ESG initiatives. Going forward, the plan is for Actis and General Atlantic to agree on a set of banks to work with in the future, particularly as Actis currently going through a change of control process.

Current Climate

There have been significant pressures in the current climate for the infrastructure funds to deploy capital and, therefore, the funds have been having to accelerate fundraising to the extent possible in a difficult environment. As a result, the investment funds are having to raise concentrated facilities

[1] The panelists included Aimee Sharman (Mayer Brown International LLP), Robert Milner (Carey Olsen), Bhupinder Singh (First Abu Dhabi Bank), Raghav Wadhawan (Standard Chartered Bank), Mark Nielsen (Actis LLP) and Sherri Snelson (White & Case).

where there are one or two anchor limited partners and ensure banks are comfortable with such concentration.

NAV facility use is increasing in both Europe and the United States. Interestingly, the US has been slower than Europe in adopting NAV facilities. The slowness in the US market has been probably driven by tax and documentation issues, and perhaps by the need to educate the limited partners. Non-bank lenders, in particular, are getting much more creative and looking at circumstances and designing a product that suits each particular situation.

The panel has also noticed a greater sophistication among the limited partners which have universal fund choices and capacity and ability to evaluate opportunities and fund managers. The sophistication of investors may be one of the driving factors for consolidation of managers. There are not only higher requirements being put on managers but also due diligence requirements from the GPs, more information required and more process required in order to satisfy reporting obligations and keep the limited partners happy.

The panel discussed the potential for further globalisation of the funds market, but remarked that issues related to the success of such globalisation include the nature of the assets being bought, the specific region in which they are being bought, regional concentration of assets and the readiness to enforce against such assets.