

GP FOCUS¹

By [Tautvydas Medziukevicius](#)

The panel discussed the current state of the fund finance market, including changes in GP's liquidity management and the subscription line market. Speakers highlighted the growing demand for innovative solutions in asset financing and the shift from part-time roles to full-time dedicated teams for managing liquidity. They also emphasized the importance of building relationships with lenders to secure favourable terms and navigating the market's increased sophistication.

Current Opportunities and Challenges in the Fund Finance Market

As the fund finance market continues to grow, GPs are establishing teams dedicated to fund finance. Five years ago, fund employees would focus on fund finance part-time, but that is no longer the case. An important role of the fund finance team is now coordinating with the banking community. The fund finance teams within the GPs are becoming more integrated with the whole business to understand how fund finance interacts with the wider objectives of the firm.

As there has been more volatility in the market in the last few years, GPs have placed increasing importance on identifying which participants in the market are a good fit to the sponsor and ensuring that they are finding potential long-term relationships.

Further, the demands and habits of the GPs are changing. Previously investment funds took on borrowing to the maximum extent permitted under the LPA. Now the ask is a lot more sophisticated, as GPs assess what they need in terms of financing more narrowly and thus tailor their requests.

NAV Financing

At a certain point in the life of the fund when the capital starts to get cold and the investment team needs firepower to deploy and take advantage of the market opportunities, NAV financing is being put into funds and even the unlevered strategies. It is a useful tool and there is an increasing demand for NAV facilities from the GP's side.

We see NAV financing being used in respect of different asset classes, including real estate. It is a buoyant market, and segments of it are still in the talking stage.

¹ The panelists were Gianluca Lorenzon (Validus), Jamie Mehmood (Deloitte), Brad Mitchell (Pantheon Ventures UK LLP), Rhita Sami (Hayfin Capital) and Stephen Thomas (Coller Capital).

GP and Bank Relationships

It is becoming more important for the lender to understand the objectives of the GPs in terms of new strategies and new product designs. Banks who innovate to add value are more likely to win deals and relationships, so will benefit by engaging in realistic dialogue with GPs. Early conversation can result in accommodation of lender constraints and accommodation of GP needs.

Subscription Lines

Market events stressed liquidity in 2023 on a macro level and in some cases for individual banks. As a result, there was a tightening of supply. Capital raises slowed, which somewhat suppressed demand, although subscription line facilities remained steadily available, especially for established players. With a market that continues to be predominantly serviced by banks, tenors are shorter, facility sizes smaller, and in a slow fundraising environment, closing times are extended.