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Fund Finance Products Abound for Hot Evergreens

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Cadwalader partners **Leah Edelboim**, **Brian Foster** and **Nathan Spanheimer** were quoted in a recent *Private Funds CFO* article discussing the rapid growth of evergreen funds and the evolving fund finance landscape.

Leah explained that while subscription lines are available for evergreen funds, they are notably less relevant than in traditional closed-end funds. She described an evergreen subscription line as similar to an umbrella facility, where multiple funds share borrowing access, but the borrowing bases consist of individual investors grouped into different tranches.

Brian highlighted that revolving debt facilities for evergreen funds carry higher fees due to underutilization risk: “The commitment fees are definitely higher, reflecting expectations of lower levels of utilization. More and more, you’re seeing minimum utilization or minimum return requirements to guarantee some minimum economics to the lenders.”

The article also addresses business development companies (“BDCs”), which offer private credit exposure to individual investors and use vehicle debt in ways that differentiate them from other U.S. evergreen funds.

Nathan explained that although BDCs are regulated under the Investment Company Act of 1940, they are subject to different asset coverage and interest coverage ratios. Typically, BDCs operate under a 2-to-1 leverage ratio but may elect to operate at a lower 1.5-to-1 ratio to appeal to certain investor strategies.

The article provides a comprehensive look at how evergreen funds use a variety of fund finance tools including NAV loans and subscription facilities to manage liquidity, redemptions, and leverage, balancing investor demands with regulatory constraints.

Read the full article **here** (subscription required).