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Key Takeaways from the Loan Market Association's (LMA) Inaugural Fund Finance Conference

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Members of our London Fund Finance team attended the Loan Market Association’s (LMA) inaugural Fund Finance Conference on 13 May 2026.

The event was a success with strong attendance from across the fund finance industry. The engaging panels and conversations covered a variety of topics, with key themes emerging across the spectrum of subject matter.

Liquidity

Traditionally, discussion around liquidity has been against the background of stress testing – this is changing. Many LPs and GPs no longer see liquidity as a short-term reaction or an end of life consideration, but rather an ongoing IRR matter. Ongoing and forward thinking liquidity management is now part of the fund finance ecosystem and for LPs, liquidity management can be seen as a differentiator between managers.

The various ways in which liquidity can be unlocked were discussed. It was noted that private equity is an illiquid market and sponsors are always looking at ways of unlocking liquidity in order to consider the needs of their investors (as well as their own). Useful liquidity tools for LPs in the current market include preferred equity, CFOs, NAV lines and continuation vehicles (as well as traditional sales). Portfolio rebalancing is also an important liquidity tool (liquidity is not just about extracting cash, but reducing exposure).

However, the consensus was that although GPs and LPs have these various options in their toolkits, the constricted exit environment and ongoing liquidity issues in the market will continue.

Transparency

The desire for greater transparency, enhanced reporting and ongoing education between GPs and LPs was a recurring theme throughout the conference.

It was noted that LPs require adequate notification and education regarding new products (for example, if a GP is intending to enter into a continuation vehicle financing, the LPs need to understand the incentive for the GP to do so and there needs to be full disclosure and transparency regarding valuations, or in regard to evergreen funds, retail investors need to properly understand any potential liquidity issues as they may not have as greater understanding as other investor pools).

Several discussions noted that LP acceptance of fund financing has improved as the fund finance market has developed, a key reason for this is more open dialogue between GPs and investors and increased reporting and engagement.

The best practices for transparency between GPs and LPs are proactive disclosure, standardised (and in certain cases, enhanced) reporting and regular engagement. LPs are particularly interested in transparency regarding fees, portfolio performance, justification for and use of, fund financing (particularly NAV financing as many LPs are less familiar with NAV as compared to subscription lines) and where applicable, valuations.

Sophistication of Investors

With the diversification of LP profiles has come an ongoing shift in LP attitudes. Ranging from institutional investors to family offices, wealth managers and sovereign investors, to the recent influx of retail investors, each investor profile has a different appetite for risk and return and varying levels of knowledge and sophistication when it comes to investing in funds and understanding the various fund finance products available.

Lenders note that LPs are becoming increasingly engaged, more inquisitive and more vocal. There has also been a shift towards LPs not just wanting to be notified that fund financing will be put in place, but also more detailed information as to how and why the fund-level leverage will be used.

Linking back to the various discussions regarding the true meaning of liquidity and the different ways of improving liquidity, the individual liquidity needs of each investor are of great importance. However, it was noted that more sophisticated investors will anticipate changing liquidity needs in reaction to market changes/world events and react before they are stress tested. It was also noted that more sophisticated LPs will usually hold a more varied asset pool in order to absorb any potential shocks.

Linking back to the importance of transparency and education as mentioned above, the continued push from the LMA and the Institutional Limited Partner Association (ILPA) to promote these two pillars will be of particular significance for less sophisticated investors.

Future of Fund Finance

In considering the future of fund finance, panellists also took a look back to reflect on how far the industry has come in the last 20 years. What started as a niche product entered into on a relationship basis, is now a massive global industry. Gone are the days when only subscription lines were on offer, we now have the full gauntlet of subscription lines, NAV facilities, hybrid facilities, GP lines, single managed accounts (SMAs) and newer products such as continuation vehicle financing and securitisation technology in fund financings (among others). The players, as well as the products, have changed - liquidity issues in recent years along with increased desire from sponsors for more customisation and flexibility, has provided for the entry of non-bank lenders.

The ongoing future success of the fund finance industry lies in being solution rather than product driven. The fund finance industry has proven again and again, through times of crisis (such as the GFC and the COVID-19 pandemic) that it is dynamic, innovative and collaborative and able to shift with the changing landscape. This adaptability is being tested again in light of the current macroeconomic and political environment.

From a regulatory and governance prospective, some key aims are making sure the fund finance ecosystem is structured to have better entry and exit strategies, more variety of structures (and understanding from industry players of those structures) together with good practice regarding valuations (in the context of products such as NAV facilities and continuation vehicle financings). The Financial Conduct Authority (FCA), together with bodies such as the LMA and ILPA (and their respective members), will continue to work to ensure the industry is maintaining the highest professional standards, managing conflicts of interest and keeping focus on education and good practice. It was noted that the fund finance industry has been subject to greater regulatory scrutiny as it has evolved, as well as greater scrutiny from the press.

Use of AI in fund finance is an evolving landscape and lenders, sponsors and advisors are developing their own platforms as well as utilising the various commercial AI products available. Key use cases for AI are data collection and analysis, due diligence, valuations, comparison of terms, streamlining administrative and loan serving processes and managing deal execution. The human aspect of fund finance will not be fully replaced – deals are still made through relationships and parties or their advisors will still need to review the first cut of any diligence or analysis, but the intention is to create efficiencies, increase productivity and reduce errors.

Fund finance continues to have a track record as being a low risk field for lenders, with historically minimal defaults (such defaults relating to fraud rather than underperformance). Long may this continue.

Fund Finance Intelligence Survey 2026

The LMA Fund Finance Conference coincided with the release of **the Fund Finance Intelligence Survey 2026**, a collaboration between the LMA and The Drawdown covering the EMEA fund finance market. Some key takeaways from the survey:

- In light of ongoing fundraising and exit challenges, the need for liquidity solutions has created a borrower-friendly market. New money transaction volumes are expected to rise in 2026 - 39% of lender respondents said the majority of their 2025 lending was new money rather than renewals. According to the survey, 52% of borrowers expect to increase their subline volumes, 42% expect to increase their NAV facilities and 29% expect to increase their GP financing volumes in 2026.

- While the market continually sees innovation and new products to accommodate changing demands, subscription line facilities remain core. Alongside this, NAV-based lending is now well established and gaining in popularity each year. Although NAV is now an established tool, according to the survey borrowers continue to be disciplined in their use of NAV facilities – none of the respondents stated that they had used NAV facilities in 2025 for the purpose of early LP distributions.
- Mirroring the themes from the LMA conference, respondents repeatedly emphasised the need for clear communication and transparency with LPs and continued education for LPs about fund finance products, in order to foster confidence and trust. For the second year running, borrowers ranked LP attitudes to fund-level leverage as the most significant challenge, which again highlights the importance of transparency and education.
- 57% of lender respondents noted their biggest challenge was competition from new lender entrants into the market.
- As a reflection of the upsurge of institutional money in the fund finance market, there was an increase in the number of rated facilities (both subscription facilities and NAV/ABL facilities).
- The consensus from respondents was that it is too early to determine how the impact of GenAI on software companies would affect fund finance borrowers.

The LMA also announced at the conference that it will be adding to its suite of fund finance documentation this year, so watch this space.