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Fund Finance Friday

Pref Equity Gaining Ground

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Preferred equity is gaining ground as a financing tool that allows LPs or GPs to accelerate liquidity against fund assets while retaining ownership and upside potential. In a typical transaction, fund interests held by an investor are sold into an SPV in which the preferred equity issuer is granted a priority interest in the proceeds from the investments while the original investor maintains an equity stake. Compared with debt financing, preferred equity has no repayment date, no cash interest, no covenants and no security over the underlying assets. These are among the points made in a podcast from *Secondaries Investor* featuring Augustin Duhamel of 17Capital. The interview is available **here**.