

## Fund Finance Friday



### Cadwalader Partners Review Fund Finance Trends

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Cadwalader partners Samantha Hutchinson, Wes Misson and Tim Hicks shined a light on the firm's Fund Finance practice at the recent Cadwalader Finance Forum hosted in Charlotte. Drawing from the firm's representations in Q1-Q3 on both sides of the Atlantic, the three presented a data-driven analysis on fund lending trends. Key observations included the following:

- Representations by deal count in the U.S. increased 15% in Q1-Q3 on an annualized basis compared to 2018. Much of the growth has been powered by specialist mid-size banks engaging mid-tier funds. In London, the firm's representations are on pace to exceed the prior year by more than 80%.
- Fewer \$1 billion-plus facilities closed in the U.S. in the first three quarters, playing into average facility size. However, the visible pipeline shows a number of large loans on the horizon.
- The lender community continues to broaden. Nearly 60 lenders participated as leads or participants.
- In the U.S., 85% of deals were subscription-backed, compared with only 30% in London. Secondaries funds are increasingly users of fund finance in Europe, accounting for 27% of 2019 deals.
- Scale matters. The top five sponsors accounted for nearly 50% of U.S. commitments in Q1-Q3.
- As a corollary, lending continues to be relatively concentrated: the top two U.S. lenders accounted for 63% of commitments in Q3. Specialist platforms at mid-size banks, however, are making meaningful gains – three such firms rank among the top 10 lenders.
- Continued saturation and competition in the U.S. subscription finance market, coupled with a low return environment, may make conditions ripe for material growth in U.S. hybrid and NAV lending activity for 2020 and beyond.

We anticipate providing a full summary of 2019 after we close out Q4. Thank you to all who attended the Finance Forum.