C A D W A L A D E R

PFCFO: Survey of Changing Subscription Credit Facility Market Conditions

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Private Funds CFO (“*PFCFO*”) recently published a series on the changing landscape of subscription credit facilities as a result of the pandemic. In “**Part 1**: The shifting landscape for subscription credit,” *PFCFO* finds that some demand for new relationships has shifted from the larger institutions to smaller lenders as the larger institutions have focused on existing relationships in the face of rising liquidity demand. *PFCFO* also finds that pricing has generally increased on applicable margins and LIBOR floors within these products in the market. In “**Part 2**: Take it to the limit,” *PFCFO* observes how decreased liquidity in the markets has led to high utilization of revolving credit facilities, increasing demand for such products and forcing banks to reassess overall liquidity positions. In “**Part 3**: “Real credit concerns for some lenders,” *PFCFO* discusses potential credit concerns in the market despite the general lack of institutional investor defaults in subscription credit facilities. In “**Sub line lenders look beyond LP collateral,**” *PFCFO* explores how lenders are incorporating additional safeguards beyond just the borrowing base to decrease risk of nonpayment, including net asset value covenants and other requirements for LPs to have “skin in the game.” In “**Part 4**: Rethinking returns… and relationships,” *PFCFO* finds new constraints for banks in the subscription credit industry, with the overall surge in demand forcing lender teams to compete internally for additional allocation based on product pricing. Finally, in “**Part 5**: Banks (trying) to sell down pre-COVID SCF exposures,” *PFCFO* observes that changes in the market relating to increased pricing has resulted in more difficulty for lenders in raising capital or selling down existing positions.