

## Fund Finance Friday



### Wells Syndication Conference Well Attended

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Wells Fargo's syndication team hosted its annual conference last week at the Plaza Hotel in New York. A large cross-section of the fund finance market attended. Jeff Johnston, Managing Director and Head of Subscription Finance at Wells Fargo, gave a unique and insightful state of the market presentation to the group. While acknowledging some headwinds, Johnston thinks continued meaningful market growth through 2019 is a reasonable presumption. One of the primary supporting factors is the continuing growth of private debt funds. Subscription facilities enable these funds to maintain a consistent leverage profile throughout the life of the fund, even at their inception prior to achieving sufficient asset diversification to enable asset-level financing. Some other insights and data points from the presentation:

- Johnston believes the biggest risk to a subscription lender is an investor revolt driven by a fraud allegation or other dispute with the GP;
- Clean-down requirements in fund partnership agreements de-risk transactions for the lender—they demonstrate that the investors are engaging with the GP over the terms of the subscription facility;
- Transaction “structural drift” in favor of fund borrowers, combined with new entrants being accommodative to funds to gain market entry, gives Johnston some pause; and
- Wells has 50 to 55 syndication partners participating in existing transactions and approximately 70 financial institutions in various stages of conversations involving participation opportunities.