

Fund Finance Friday



FFA Market Update Webinar

August 28, 2020 | Issue No. 92

The Fund Finance Association hosted a market update webinar on Wednesday with approximately 800 attendees. Led by Nick Mitra of Natixis and organized by Nick and Terry Hatton of MUFG, the webinar included a series of one-minute market updates from industry professionals across the globe and a fund formation **data presentation** from Dave Lowery at Preqin. Additionally, Jeff Johnston of Wells Fargo gave the closing remarks, which included the announcement of the FFA's 2020 London and Asia conferences converting to virtual and being scheduled for the week of November 16th (specifics forthcoming).

Below are key takeaways from the panelists.

- Transaction performance remains excellent. No investor funding defaults or transactions in credit distress were reported.
- Transaction volumes remain robust, despite the volatility in the market.
- While a number of banks pulled back from new originations at the start of COVID-19, that has thawed a good bit (but not completely).
- Lenders have tightened their credit parameters somewhat. Facility pricing has increased.
- Pre- and early-COVID transactions that now need to upsize can be very hard to syndicate into post-COVID pricing and structure. \$1B+ transactions for very large funds can also be difficult to fully syndicate.
- A number of new banks have stepped in to fill syndication voids and have even taken lead positions.
- Despite 2020 fundraising projected to be materially down from 2019, participants still project a robust Q4 for fund finance.
- Secondaries transaction volume (*i.e.*, underlying trades) has been down a good bit 2020-to-date.
- There is a flurry of NAV lending activity in the European market. While preferred equity solutions are being evaluated extensively, they are at times a comparatively expensive form of financing.
- ESG-linked fund finance is forecasted to expand.
- There are a host of new entrant, non-bank lenders exploring entry into the NAV and leverage markets.
- Despite Hong Kong being on wave three of COVID, participants report a good year and have an optimistic forecast for Asia fund finance the rest of the year.