

FUND FINANCE FRIDAY

PEI on the Maturing Subscription Market

February 19, 2021 | Issue No. 114

The subscription finance market is lined up for a busy year after navigating a challenging 2020, according to a recent write-up in *PEI*. Quoting from a variety of participants well known to *FFF* readers, the article highlights the resilience of fund finance credit performance, as well as the adaptation of funds and lenders to a changed business environment reflected in changes to deal pricing and through the addition of NAV covenants to seasoned deals.

We have to agree on the constructive outlook. In contrast to subscription finance, other assets competing for the bank balance sheet, in many cases, face rising leverage, deteriorating structure and lower returns. We recently came across data showing the first-lien loan market debt-to-EBITDA ratio sitting more than a full turn above its pre-financial crisis peak. In the subscription market, on the other hand, deal pricing, on net, is wider than a year ago and unaffected by the broader market push higher in leverage.

The *PEI* article is available [here](#).