

CADWALDER

December Fund Finance Market Update

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By Michael Mascia
FFA Board Member

The active underlying deal environment comingled with the December 31st LIBOR transition deadline combined to make November the busiest month in the history of Cadwalader Fund Finance. We have no doubt that's been the case across the market as a whole, for virtually all institutions and regions. Below are our short-take market observations as we lean into the tape at the finish line.

- The demand environment has not only remained elevated but appears to be accelerating through Q4. Virtually every demand-correlated metric, including new matters opened, hours accrued, and prospective hours, all set records in November.

- YTD average pricing for new origination on US Subscription has dipped below 200 bps to LIBOR. The trend is toward gradually tighter margins. The quarterly low points are falling far faster than the averages, which are down less than 15 bps YTD. We believe the elevated demand environment will keep the pace of tightening gradual for the foreseeable future.

- Market trends are still best measured on a LIBOR basis. SOFR is quickly gaining ground, but it's going to make the future data noisy because of the inconsistencies in approach (at least during this transition period). Some deals price SOFR loans at a wider margin than LIBOR (e.g., 10 bps wider applicable margin applied to SOFR loans). Other deals use the same applicable margin for LIBOR and SOFR along with the standard static spread adjustments applied to SOFR.

- Credit adjustment spreads between LIBOR and the new RFRS (SOFR, SONIA, etc.) are increasingly making the issues list.

- There is a heightened attention on callable capital (including the distinction with callable distributions) during renewal season as funds look to extend fund life and leverage portfolio investments even after investment period expiration.

- We are seeing an uptick in requests for QB joinders (reminiscent of the early days of COVID) to provide liquidity for portfolio companies for acquisitions and PIPES.

- A number of new GP facilities mandated to close by year end to finance GP commitments, as GPs take advantage of low interest rates and hot public equity markets.

- BDC borrower facilities and other more permanent capital type vehicles are increasing as a percentage of the whole.

- Unusual this close to bonus season, we continue to see extensive job changing amongst our client relationships (and at law firms!).

We are extremely appreciative of the continued support of our clients and their sponsors throughout 2021, another great year for our industry. Have a terrific weekend!

FFA's New 'DEI Emerging Leaders' Initiative: Nominations Open

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Diversity in Fund Finance

The FFA and Diversity in Fund Finance would like to further support and recognize individuals in the industry for their outstanding overall contributions to furthering diversity, equity and inclusion (“DEI”) efforts in the fund finance market, their workplace and/or the broader community. To this end, they’ve created a brand-new initiative, “DEI Emerging Leaders,” through which successful nominees will receive one complimentary ticket to the FFA Global Symposium in Miami this February. To learn more about the program criteria and to make a nomination by the December 17 deadline, please click [here](#).

FFA EVENT

2021 Year in Review and 2022 Outlook

Register for this coming Tuesday's (Dec. 14) FFA Global webinar that will feature representatives from around the world as they reflect on the market and trends we have seen in 2021. The panel will also include a quick preview of what to expect at the Global Conference in Miami in February 2022. Speakers from Private Equity, Private Debt, PE Secondaries and other asset classes will discuss their 2022 Fund Finance outlook. Visit [here](#) for more info and to register.

2022 WFF Annual Networking Lunch in Miami

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Women in Fund Finance announced a special networking lunch for Wednesday, February 16, in connection with the Fund Finance Association's 11th Annual Global Fund Finance Symposium in Miami. The event, which welcomes female and male members of WFF and the FFA, is open for registration [here](#).

Fund Finance Hiring

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Fund Finance Hiring

The Structured Lending team at BNY Mellon is hiring for Analyst and Associate positions to support the origination, underwriting and portfolio management efforts of the Subscription Finance team. The roles will be based in New York, and each call for a Bachelor's or Master's degree and prior experience in subscription finance. If interested, please contact **Granville Engle**.

The Morgan Stanley Tailored Lending division is looking for a Vice President to help manage a portfolio of Capital Call Subscription Finance loans. For more information, please click on the following [link](#).

On the Move – Fund Finance Tidbits

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On the Move



Annabella Kwei recently joined Stifel Bank's Venture and Fund Banking Group to support Stifel's initiative to grow its presence in fund finance in North America. Annabella provides sponsors across all asset classes with financing, such as subscription lines, management company lending and GP capital commitment finance. She will also be building relationships with sponsors focused on technology, healthcare and other verticals that are strategic to Stifel's venture banking, investment banking and wealth management platform.

Annabella has over five years of experience in fund finance and is a member of Fund Finance Association's Women in Fund Finance Committee, Next Gen Committee and Marketing Committee.

Wes Misson Recognized in Financial Times 2021 North America Innovative Lawyers

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Congratulations to Cadwalader's Wes Misson for being recognized in today's launch of the 2021 *Financial Times* North America Innovative Lawyers Special Report. In the Sustainability category, Wes was featured for his representations on nine environmental, social and governance (ESG)-related fund facilities in the U.S. since the start of 2020. The *FT* gave a shout-out to Wes' work earlier this year advising Bank of America on a \$4.1 billion ESG-linked credit facility tied to Board diversity for funds managed by The Carlyle Group. The full write-up, along with other highlighted sustainability case studies, is available [here](#).

The firm was also honored for its work on the LIBOR transition, named as the winner in the "Creating New Standards" category, and including a [feature article](#) in which Financial Services partner Lary Stromfeld – who leads the firm's LIBOR Preparedness Team – describes their work drafting important State of New York legislation to govern the LIBOR transition.

Additional *FT* recognitions include the firm's Financial Services team being shortlisted in the "Innovation in Digital Legal Practice" category for its development of a platform for automating structured notes documents – and overall, the firm was shortlisted within the "Most Innovative Law Firm in North America: Practice of Law" category.

Congrats to all our colleagues and all the *FT* awards honorees!