

CADWALDER

It's a Wrap! 10th Annual Global Fund Finance Symposium

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The Fund Finance Association organized an exciting lineup of content for the 10th Annual Global Fund Finance Symposium at Miami's Fontainebleau Hotel from February 12-14. Here are our key takeaways from this fantastic event:

- Hillary Rodham Clinton kicked things off in a big way. She showed a level of personality beyond that seen during her campaign days as she engaged with Nick Mitra in a nearly hour-long fireside chat about her life's work. From her childhood in Chicago to her days meeting Bill at the Yale library to talks of international policy, impeachment and the pending presidential campaign, she kept everyone engaged and provided some very candid views. Kudos to Nick, too, for a job well done.
- We could all take a page out of Magic Johnson's playbook. At 60 years old, the sports legend-turned-entrepreneur faces the business world with the same energy and passion that he exhibited as an all-time great player. When people said it couldn't be done, he put a Starbucks in Harlem and movie theaters in inner-city areas. He's devoted his post-playing career to championing investment in urban and minority areas of need and remaining a fixture in the sports world as a successful owner. He was gracious with his time – going 10 minutes over during his talk – and was like a shot of espresso to the crowd as he interacted with all of us via high fives, chest bumps, pep talks and photo ops. Thank you, Magic.
- David Rubenstein may have stolen the show, as he addressed an early-morning Friday crowd. A quick-witted billionaire and pillar of the private equity world, David reflected on life as a pioneer in the space, a philanthropist, a D.C. insider and a dad. His sage advice: read more, do what you love, put family first, earn your way and appreciate history. He also touched on some challenges facing our industry and gave his informed opinion on the state of play in Washington. It was a perfect mix of wisdom and dry humor.
- Economist Stephanie Kelton educated us all on "Modern Monetary Theory." Agree or disagree, it was an eye-opening experience as she broke down complex macroeconomic concepts with ease. Forgive all student loans and credit it back to the debtors? Trillion-dollar government deficits may not be that bad after all, according to Stephanie, who sees this in the inverse as a trillion-dollar surplus for the private sector. But she did point out that there are limits, because too much could lead to inflation concerns.
- Despite their apparent differences, the fund finance markets in North America, Europe and Asia are actually quite alike. Deal structures on the whole are shifting more to the center, with variation being seen in certain regional pockets of the market and being tested by new entrants doing mostly bilateral deals on a relationship basis.
- There is still room for plenty of growth in subscription finance. Based on a crowd poll, a majority think the global market is sized at \$500-600 billion. If you assume dry powder of \$2.2 trillion, it would yield only a 23-27% effective advance rate.
- Most experienced commentators think an even more significant growth rate (note rate and not volume) will be seen over the next 5 years in the alternative fund finance products – NAV, hybrid and other forms of financing.
- Pricing pressure is real as competition in our market grows. Last year alone, we noted 73 active lenders in the United States and 46 active in Europe in this space (including an increase in non-bank lenders in Europe).
- There are some new trends emerging on the borrower side that are driving more aggressive terms, loosening of certain covenants or structural elements, and even leverage finance-style approaches to documentation. These are generally in the minority, however, and are being met with varying degrees of success, especially where the borrower requires a syndicate of lenders to round out requested facility size.
- One noticeable trend in syndications is that participants are digging into the diligence more, rather than just relying on the agent bank to do so. As syndicate lenders have developed their knowledge and capabilities, they have found

it important to confirm for themselves that the partnership documents are viable within the market. Participants are also more frequently performing their own review of the investor documents to ensure they do not contain provisions that would be too limiting to the intended borrowing base. In analyzing the borrowing base, participant lenders often focus on sovereign immunity issues, the inclusion or non-inclusion of high-net-worth individuals and the creditworthiness of each investor as driving factors for whether they can underwrite the credit facility.

- From the funds' perspective on syndications, sponsors are looking to select agent banks that can handle a large and potentially complex facility. Agents and participants can add value to the syndication process by proactively identifying issues before they arise and then facilitating solutions.
- Due diligence and KYC/beneficial ownership requirements have in many ways burdened the industry and become the new norm. This does from time to time create friction with fund sponsors where the needs of lenders on a particular deal are materially different. Where a deal is being syndicated, it is critical for the fund to have an administrative agent that can effectively administer and manage the syndicate group. Thus, it is beneficial for the agent and the fund to work together to make due diligence, KYC and other processes as transparent, streamlined and efficient as possible.
- ILPA and the ILPA guidelines, now three versions in, are having a mixed impact on the market. Fund managers are being responsive, increasing reporting and negotiating certain side letter items with a view toward accommodating the investors where possible as the education process on both sides continues. Facility structures and terms, however, are seeing little direct impact in respect of how deals are being done. It's still very much business as usual.
- Market participants are actively engaging with the National Association of Insurance Commissioners (NAIC) on the issue of statutory accounting treatment of investments backed by or referencing portfolios of private investment fund interests, including collateralized fund obligations and similar structured products. Expected guidance could impact demand for such products from U.S. insurance companies.
- ESG is becoming a real topic of discussion and something we think we'll see as a panel theme next year.

It was wonderful to engage with so many friends and colleagues in a beautiful offsite setting. The FFA conference seems to grow by a significant margin of attendees each year and add incredible speakers and new content. Thanks to all for their support, the hours of planning and those who participated. Now 10 years in, the conference is something the industry can be extremely proud of, and it fulfills the vision of its founders. We very much look forward to the next 10 years.

FFA Evolution and Opportunities to Give Back

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By Michael Mascia
FFA Board Member

Last week at the 10th Annual Global Fund Finance Symposium in Miami, Jeff Johnston and I had the opportunity to open the conference, welcome the attendees and thank our generous sponsors for their continuing support (thank you!!!). We also took a moment to reflect on the past decade and forecast where we would like to see the Fund Finance Association mature as we go forward. Below is a short summary of the thoughts we shared and a host of opportunities to give back to the fund finance community.

With the Fund Finance Symposium hitting its 10th anniversary, we have reached an appropriate inflection point to take stock of where we are as an industry and what our future as an organization should look like. Our industry has had an amazing decade-long run. Many of our businesses have enjoyed such tremendous success. Over 800 people attended this year's Symposium, which was supported by nearly 100 distinct sponsors. It is so cool that the FFA was able to attract speakers like Hillary Clinton, Magic Johnson and David Rubenstein. All built by industry volunteers; not a single paid staff member. While we certainly had some hiccups and see opportunities to improve the event, we were proud of the Symposium and the FFA last week. We should all be proud of our industry's great growth and success.

The FFA Board has been talking a lot about how the FFA can evolve its core mission slightly to level up for the better. The successes we have had over the last decade now give many of us the luxury of looking up a bit from the four corners of our deals and documents. So many members of our various communities have not had the opportunity to share in our industry's good fortune. Many people in our industry are doing incredible things to give back to their communities and the next generation, through charitable efforts, non-profit work, volunteering, etc. Our vision for the FFA, our personal businesses and our industry as a whole involves a shift to both keep up with these leaders but also to recognize that we can and must all do a little more to contribute to society. The FFA is going to evolve to make giving back more central to its core mission. Our success creates a responsibility to do so. You are going to see it in our events and hear it more prevalently in our content. For those of you that attended last week, we hope you could start to feel that shift and will support us as we move forward.

There are so many ways you can give back, even in our industry. Our industry is bringing in maybe 1,000 new people a year. That job creation is awesome; it is one of our tremendous successes. But these young people need to be taught, trained and mentored. Tina Meigh of Maples Group is working on a formal mentor program with the FFA's Next Gen network. Please consider getting involved as a mentor and supporting your new people's involvement as mentees. Reach out to Tina if you are interested. We also want to meaningfully increase the size of this year's FFA University class. We are looking for a larger space in midtown Manhattan to host the event this year, targeting a date in September. Please consider investing in your new folks and sending a large contingent to FFA University. We will do a good job training them. We are also working to get FFA University up and running in the EU market. If you are interested in getting involved, please let us know.

We are also working on a charitable initiative. Laurie Lawler of Société Generale suggested we call it "FFA Cares," which I kinda like. Ellen McGinnis of Haynes Boone has stepped up to lead this initiative (thank you, Ellen) and is forming a committee. If you are interested in getting involved as a committee member, reach out.

Natasha Puri of Lloyd's has been working very hard on our diversity efforts, but there is still a long way to go. I'd really like to see us invest more deeply in this effort. I could also use a young lawyer to help manage the FFA's corporate responsibilities, including filings, bylaws compliance and resolutions. We also need your ideas. What else can the FFA do to contribute to the next generation? How can the FFA best contribute to our communities, especially in light of all of our various personal charitable commitments and individual firm responsibilities? We have a ton of talent in our industry, real resources and a fully-committed Board. Let's figure out what we can get accomplished.

Photos from the FFA Symposium

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David Rubenstein, Hillary Rodham Clinton, Earvin "Magic" Johnson and more: The FFA has released some photos of last week's Global Fund Finance Symposium. To view the album, click [here](#).

Women in Fund Finance Networking Boat Trip

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The Women in Fund Finance networking boat trip around Miami's Biscayne Bay was a terrific kickoff to the FFA Symposium. Thanks to all who joined in for the networking reception, tour of the bay and all-around great conversations!

Carey Olsen on the New Cayman Islands Private Funds Law

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Law firm Carey Olsen this week published *The Cayman Islands Private Funds Law: a practical guide for fund finance lenders*. This concise guide focuses on the core aspects of the new law that are relevant to associated lenders and the practical steps they should consider taking as a result. The guide is available [here](#).