‘Fund Finance Friday: Industry Conversations’ (46 Minutes)

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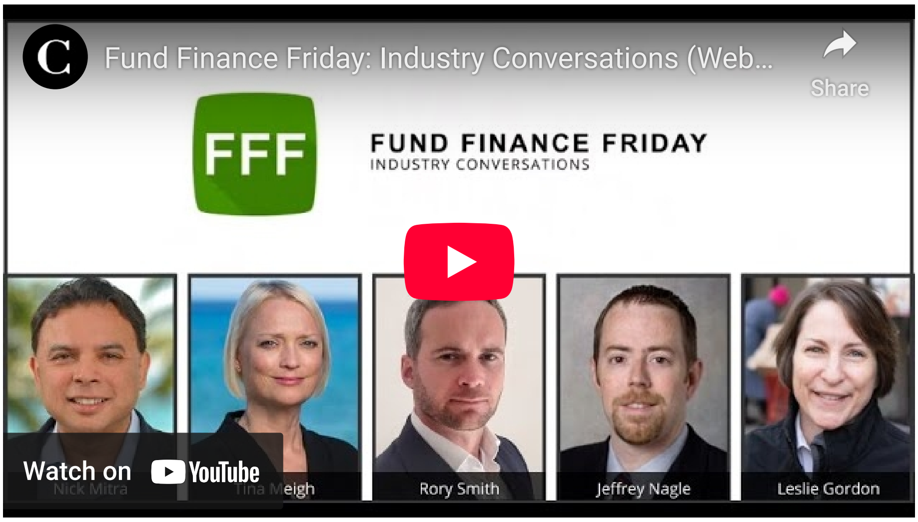
Industry Conversations

In today’s *FFF: Industry Conversations*, we added video and connected with a host of fund finance market participants. Nick Mitra of Natixis joins to give a market update, Tina Meigh of the Maples Group provides an update on the Fund Finance Association, Rory Smith of Brickfield Recruiting offers observations on the hiring market, and Jeff Nagle of Cadwalader summarizes the best practices for LIBOR transition proposed by the ARRC last week. In addition, we feature a short but important discussion with Leslie Gordon, President & CEO of Food Bank For New York City, on the growing hunger challenges presented by COVID-19. Cadwalader’s Mike Mascia hosts and also provides some data from our practice for 2020-to-date to try and forecast transaction volumes for the summer.

If you cannot access the video below, [please click here](#).



SDNY Holds Syndicated Loan Is Not a ‘Security’

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By **Jeffrey Nagle**
Partner | Finance

The U.S. District Court for the Southern District of New York ("SDNY") held that certain syndicated loans sold to institutional investors are not "securities" and rejected claims of violations of federal and state securities laws.

Cadwalader partner Jeffrey Nagle provides related commentary in the ***Cadwalader Cabinet***.

A Sanity Checklist for Existing Financing and a Fund Finance Application of the Luxembourg Professional Guarantee Draft Bill

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We have two timely articles from Luxembourg law firm SJL Jimenez Lunz this week. **In the first article**, SJL proposes a quick starting checklist that lenders can run through during COVID-19 lockdowns to determine whether the legal documentation for existing deals is up-to-date or needs to be addressed. **In the second**, SJL discusses the Professional Guarantee Draft Bill, which has been introduced to the Luxembourg Parliament. This bill introduces a Luxembourg-law-governed guaranty that can be used in security packages for cross-border financing without the risk of requalification. This new form of guaranty will "combine terms of the suretyship (*cautionnement*) and independent guarantee (*garantie autonome*) and follow closely the general terms of the security agreements governed by the Collateral Law and their proven efficiency."

Institutional Investor Reports Increased Family Office Borrowing Against Private Equity Investments

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Family offices increased borrowing against private equity holdings in Q1 to access capital for investment opportunities during the market dislocation, according to intel from UBS summarized by *Institutional Investor.* Loan sizes ranged from $50 million to $250 million or more. According to UBS, private equity interests have recently surpassed hedge fund investments as a source of loan collateral. Read the article **here**.

Subscription Lines and NAV Facilities Help Funds Bridge Liquidity Gap

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Is the asset class immune to economic downturn? As the pandemic affects the world economy, general partners are in need of capital to support portfolio investments and take advantage of new opportunities. However, today versus a decade ago, GPs are in a better position to weather the storm and are exploring more creative funding tactics to bridge the liquidity gap, according to an **article** in *PitchBook.* The article discusses the flexibility that subscription lines of credit offer GPs to complete deals without the need to call capital every time and the flexibility of net asset value lines or hybrid facilities to be tailored to the needs of GPs.

Secondaries Investor Analyzes Use of Leverage During Covid-19 in Part Two of Its Mini-Series

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Secondaries Investor analyzes how a decline in second-quarter valuations could impact the SPV-leverage market. While banks are healthy, a temporary decrease in lenders participating in the SPV-lending market could lead to secondaries portfolios trading at lower prices and large buyers sitting out the action. Before COVID-19, the use of deferrals for purchase prices in the secondaries market increased significantly in 2019, as did lengthier deferred payment structures. If portfolio values drop, lower interim distributions for buyers to pay off the purchase price could lead to both underwater portfolios and greater use of deferment mechanisms. To read the article, click **here**.

Record Bond Fund Inflows May Be a Positive for Fundraising

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Bond funds and ETFs are experiencing massive inflows, a green shoot for the fundraising environment in the second half. Net demand for public investment-grade funds and ETFs has expanded by $78.5 billion since month-end March after all-time record inflows of $17.5 billion in the week to June 3, according to EPFR/Informa Business data. AUM in the investment-grade sector is nearly flat year-to-date, given the scale of the recovery since the March drawdown. Demand for high yield funds and ETFs has also expanded significantly, with AUM now 8.1% higher year-to-date. While these fund flows are a lagging indicator of the follow-the-Fed trade dominating markets, they may also be a positive signal for the private market fundraising outlook as investors allocate capital away from public equities and take off the March flight-to-safety trade. The drivers behind record private market fundraising in recent years – an anemic interest rate environment, significant underfunding at liability-matched investors and stretched public market valuations – have only intensified in 2020.