

Keep Calm ... and Investigate Rumors LP Default Risk and Fund Finance 2.0

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During the Great Recession, fund finance professionals spent a lot of time analyzing and speculating about the impact of the financial crisis on fundraising, the potential for the failure of limited partners to honor their capital contribution obligations to funds, and the strength of facility structures and documentation. That makes the current scene familiar to many of us.

While the turmoil resulting from the COVID-19 pandemic is not driven by underlying fundamental financial issues, the “credit crunch” in some sectors and short-term liquidity concerns throughout financial markets invites comparison to the Great Recession. However, similar to during that crisis, despite these concerns and uncertain market conditions, many funds may now be in a strong position to take advantage of the opportunities that a down market presents.

In the past week, a *Private Funds CFO* headline announced LP defaults “already happening”, reporting, with little detail, that two European LPs had defaulted on capital calls and more were rumored. We were skeptical, because we have seen this before.

To read the full article, please click on the PDF below.

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