Albert Tan Moderates Privcap Podcast on State of Global Fund Finance Market During COVID-19

By Albert C. Tan | August 11, 2020

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Haynes Boone Partner Albert Tan, Co-Chair of the firm's Fund Finance Practice Group and a member of Haynes Boone's Board of Directors, moderated an Aug. 7 podcast about the state of the global fund finance market amid the coronavirus pandemic.

Produced by Privcap, a digital media company that produces thought-leadership content for the global private capital market, the podcast features discussion with private equity and institutional real estate professionals. On the Aug. 7 podcast, Tan was joined by Jeff Johnston, Head of Asset Management at Wells Fargo Bank and Chair of the Fund Finance Association, and Jonathan Peiper, a Managing Director and Head of Subscription Financing at Mizuho Americas.

Here is an excerpt that has been edited and condensed for clarity:

Tan: Let's talk about how COVID-19 has impacted the fund finance market. I'll start with you, Jeff.

Johnston: March was probably one of the busiest months I can remember our team having in years. It was a couple of things coming into play. One, the first quarter was really healthy from a capital raising standpoint in the broader fund finance arena. The pipeline was pretty strong. There was a massive magnitude of volume. And then it hit everyone that [the pandemic] was not going to just be something that was just a short-term liquidity or capital squeeze. From our perspective in our portfolio, April started to shift and [people started to] think about what is the credit risk of the transactions that we have now and where are valuations going to go. There clearly is a ton of marks that were going to happen and negatively impact investors' liquidity positions and how is that going to translate into performance on the subscription facilities. We had a bit of an uptick in investor delinquency and some minor defaults. It was kind of an interesting rollercoaster ride: a couple of bumps and turns and twists in the months after. It feels like we are in a little bit of a calm and steady state at the moment.

Tan: Jon, many of us lived through the Global Financial Crisis (GFC) of 2008-2009. What are the similarities and what are the differences between that crisis and the present moment?

Peiper: I actually believe this is very, very different from the GFC. The reason is that during the GFC the caution was much more profound, and we really saw for a significant of time that new funds were not being raised. Most banks in the current COVID environment have hunkered back. They are still lending but they are really focused on their key clients. I do think it's possible that things are going to last this way much longer than any of us had expected. What we have seen so far is that the marketplace is very resilient. People act very responsibly, and it remains very safe. And really overall benefits the investors and helps them achieve true enhanced returns on their capital.

Tan: Back in the 2008-2009 GFC, there was a real fear because that crisis concentrated within the financial industry. With this crisis, there is more of a general consumer, retail impact in terms of the

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overall economy. Whereas banks in general, because of the GFC experience, are much better capitalized this time around compared to the last time, how does this particular crisis impact how we go about conducting our business?

Johnston: I do think the amount of private capital that is out there and available to come in and to capitalize and provide the debt and equity to these companies that they are going to need to restructure in the coming years is something that is substantially different and beneficial. The 2-plus trillion dollars of dry powder we have all been taking about for the last couple of years . . .is going to help the recovery and recapitalization of corporate America and corporations globally.

To listen to the full 17-minutes podcast, click here.

Tan speaks regularly at events frequently speaks on fund finance at legal and business seminars, hosted by, among others, Private Equity International, PERE, Privcap and Institutional Real Estate, Inc. He has represented investment and commercial banks, as agents and arrangers in more than 500 subscription secured credit facilities with total value of over $100 billion to Asia, U.S., Europe, Latin America and global real estate, infrastructure, debt, buyout and energy private equity funds. Tan structured and documented some of the first subscription financing to real estate private equity funds in Japan, Greater China, Singapore and Korea and to some of the largest global infrastructure funds and Asia-focused buyout funds.

In 2019, *The National Law Journal* named Tan a Trailblazer in Banking, Finance and Capital Markets for his efforts in structuring some of the first subscription financings to real estate private equity funds and infrastructure funds in Asia and presenting the basics of subscription financing within the Asia PE real estate markets.

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