

Where Fund Finance Is Headed – Takeaways From The 10th Annual European Fund Finance Symposium

July 1, 2026

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The Annual European Fund Finance Symposium on 24 June 2026 was the largest Fund Finance Association event held in Europe to date. Members of the global fund finance community descended on London during the hottest week of the year to discuss current trends and to network with contacts, clients and competitors. The overall message was positive: Fundraising may be lower than it was a few years ago, but the industry is alive with innovation as it matures. The industry is experienced enough to look past any recent headline noise and focus on what promises to be another busy year of dealmaking. Here are the summaries of the top points from the Haynes Boone London Fund Finance Team:

Private Credit (“PC”):

- Several panels touched on private credit, with managers noting that fundraising in this asset class remains strong and emphasizing what sophisticated investors are looking for at the due diligence stage (focusing on managers’ platforms, workout capabilities, origination teams and institutional setup).
- Managers use various methods to manage liquidity, including NAV facilities, hybrid structures and continuation vehicles to optimise portfolios across the fund lifecycle.
- PC funds are now competing with banks on larger deals, and pricing differentials are narrowing in certain segments. Borrowers value speed, flexibility, single decision-maker execution and bespoke structuring, which are all areas where PC funds have traditionally excelled. Banks retain advantages where cost of capital matters, e.g. larger facilities, revolving credit lines and situations requiring ancillary services, such as cash management and hedging. Collaboration between banks and PC funds is increasingly common, with senior/junior structures allowing banks and PC funds to participate at different risk/yield levels within the same transaction.
- Negative press around PC (defaults, valuation concerns, software industry issues) is less systemic than headlines suggest, but it is prompting greater scrutiny.

Evergreens:

- Evergreens continue to be a popular structuring option, often attracting retail and non-institutional capital.
- As evergreens often invest in illiquid assets but allow redemptions on a regular basis (e.g. quarterly), cash flows can be uneven, so sponsors turn to liquidity management options, including maintaining liquidity pockets, controlling equity into and out of the structure (by utilising liquidity frameworks, such as suspending subscriptions and/or redemptions, or gating redemptions) and using debt, such as NAV lines.
- Having a robust hedging strategy in place also helps sponsors manage liquidity, and it’s important to include liquidity buffers in FX margin calls and settlement flows as part of the liquidity waterfall analysis.

- Recent negative press has also focused on redemptions in the evergreen space, but it's important to remember that these funds are operating as designed, and exercising redemption gates is often no more than a management tool used to protect against fire sales of assets.

Midmarket:

- When referring to the “midmarket,” the industry is typically referring to fund sizes sub-£250m and AUM of approximately £10bn and below.
- Significant new capital has entered the fund finance arena over the past 24–36 months, with lenders specifically targeting the mid-cap and smaller-cap space.
- Previously, minimum lending thresholds (e.g. £50m for a NAV facility) made it difficult for smaller funds to access financing, particularly NAV financing. This barrier is now being addressed by new lender entrants.
- For subscription lines, concentrated investor bases remain as a key structuring consideration, but not all concentrations carry the same credit impact – strategic partnerships and platform aggregators can mitigate concerns. Including high-net-worth individuals in borrowing bases remains difficult, though the market is evolving as platforms with sophisticated call mechanics provide lenders with greater comfort.
- Bargaining power constraints mean some midmarket sponsors cannot negotiate optimal borrowing provisions – e.g. anchor investors insisting on broad excuse rights, which directly impacts borrowing base calculations
- For NAV lines, step-up conditions linked to capital deployment and diversification milestones are commonly used to manage concentration risk.
- Vintage LPAs that are silent on or restrict fund-level financing create significant friction when facilities are needed quickly. However, midmarket managers are becoming more sophisticated in building financing flexibility into LPAs from day one.
- GP financing is the most frequently requested product in the midmarket space (more so than NAV financing). Key drivers include pressure from LPs for greater GP commitment (sometimes 3–5 percent or more), slower exit environments delaying carry, and the need to retain and incentivise talent. Structures are evolving – lenders are taking broader views on management fee income history (accepting two years rather than three to five) and lending against potential future carry. Hybrid approaches are also emerging, with corporate-style on-lending for the broader team combined with private banking solutions for senior founders with substantial personal balance sheets.

Regulation:

- Basel 3.1 is driving increased risk weights for fund finance exposures through higher credit conversion factors, reducing capital efficiency for banks. Banks with internal models (IRB approach) are increasingly struggling to maintain those models in fund finance due to insufficient default data – a paradox created by the asset class's strong performance history. The output floor will eventually override internal model benefits, meaning even IRB banks will need external ratings to modulate the floor and preserve the value of their internal models. Some banks are responding by seeking capital relief through financial guarantee insurance products, with fund finance portfolios identified as among the easiest and quickest to address this way.
- External ratings can reduce risk weights significantly under the standardised approach, from 100 percent down to as low as 20 percent for double-A rated credits, representing a potential 80 percent reduction in capital consumption. The European Banking Authority has clarified that private ratings cannot be used for regulatory capital purposes; only public or subscription

ratings qualify. Subscription ratings (a model developed since 2019) offer a solution that preserves confidentiality (which is critical in an industry where sponsors are sensitive about publicity) whilst still qualifying as regulated ratings.

- Insurers are providing financial guarantee policies and non-payment insurance to banks seeking risk or regulatory capital relief.
- CRD VI requirements take effect imminently, with the grandfathering cut-off date of 11 July 2026 approaching. Significant uncertainty remains as implementing legislation is not yet finalised in several jurisdictions. Key practical questions include the scope of “solicitation” and when lending activity is deemed to take place in a particular jurisdiction (e.g. Luxembourg). The LMA is actively engaged and is running jurisdiction-specific roundtables (Luxembourg completed, Ireland upcoming in July), maintaining an implementation tracker and conducting targeted advocacy with policymakers. The LMA has confirmed it will not release standard contractual language for CRD VI compliance (unlike the LSTA approach), as the issues are too fact-specific for a one-size-fits-all documentary solution. Banks are taking varied approaches: Those on the participant side are focused on reverse solicitation mechanics, but there is no easy fix. Careful legal analysis of each bank’s specific situation is required. The designated entity clause (originating from Brexit-era documentation) is available but must be used carefully.
- Both EU and UK securitisation reform proposals are under scrutiny, though the industry view is that they do not yet go far enough to attract non-bank institutional investors. Specific concerns include the 5 percent risk-retention rules, where the language was not designed with fund finance structures in mind. Innovation is emerging around restructuring subscription facilities to resemble securitisation-like structures (creating a single point of recourse to uncalled capital, foregoing wider recourse), raising questions about whether such structures constitute securitisations under the EU/UK frameworks.
- As risk moves from the bank to the non-bank space, there is increasing regulatory focus on demonstrating interlinkages, with fund finance singled out as an area requiring better data on size and connectivity. Regulators are focused on three areas: valuation of illiquid assets (model-based rather than mark-to-market), leverage and linkages back to the banking system, and visibility across the sector.

Continuation Vehicles (“CV”):

- The CV market continues to grow and has proven resilient across different macroeconomic environments, from the post-COVID era through to the current cycle.
- The core driver is a “win-win-win” equation: GPs retain high-performing assets for longer (and benefit economically); existing LPs receive liquidity at a time when distributions are scarce (with the option to roll over); and new investors gain access to proven, de-risked assets with strong performance track records.
- Single-asset CVs remain the majority (approximately 80–90 percent), though multi-asset and multi-strategy CVs (pooling assets across vintages and funds) are increasingly common.
- Robust third-party valuations are critical. Many new investors enter on a minority basis and rely on independent valuation as effective price discovery. Secondary transactions (e.g. minority stake sales) preceding a CV can provide valuation anchoring and build LP confidence.
- CV financing shares some characteristics with traditional subscription lines but has distinct structural features. Facilities are often heavily front-loaded (drawn hard on day one) given the acquisition price requirement, with limited further deployment. Underlying assets within a CV may already be highly leveraged at the portfolio company level, meaning the CV entity itself may have limited additional leverage capacity. LP commitments and anchor investor deployment can also be financed to bridge timing gaps. Unlike traditional subscription

facilities with defined investment periods, CV facilities often have shorter, more defined tenors reflecting the asset holding strategy. Covenants tend to be asset-focused (e.g. LTV, cash coverage) rather than traditional borrowing base mechanics. Multi-strategy CVs (pooling assets from different funds/vintages) offer diversification benefits but add structural complexity. Process complexity remains a challenge; CV fundraising and financing often run simultaneously, with the financing closing shortly before or at the same time as the transaction, creating tight timelines.

Insurance Capital and CFOs:

- The CFO market has picked up momentum in recent years, driven by insurance companies seeking efficient regulatory capital treatment for private asset classes.
- Sponsors are increasingly treating CFOs, rated note feeders and secondary solutions as a unified toolkit to optimise fundraising and platform growth.
- These structures allow institutional pools of capital (like insurance companies) to invest that traditionally couldn't invest in standard blind-pool funds to gain exposure.
- The underlying collateral backing these structures has shifted from simple, primary private equity fund interests to more complex, diversified portfolios. The market is seeing an increase of secondaries, multi-asset configurations and geographic diversification (such as incorporating European and international exposures into historically US-dominated portfolios).
- Financing these structures requires lenders to move away from traditional subscription line credit metrics toward a holistic, corporate-style analysis. Insurance companies have also been increasing their exposure to fund finance products through SRTs and securitisations.
- Underwriters should consider (i) the manager's multi-asset historical track record, (ii) cash flow generation, (iii) structural protections and (iv) mitigation plans for "double squeeze" scenarios (where funding costs rise while underlying portfolio distributions slow down).
- As insurance companies don't need to spend time raising capital and can commit more time to thinking about innovation, further innovative products are expected in this space soon.
- As the size of commitments from insurance companies grows, these investors often now have the negotiation power to demand tailor-made structures.

NAV:

- NAVs are starting to be used earlier in the life of a fund as bridge financing, typically following first close.
- NAVs continue to be increasingly accepted by LPs, with some GPs seeing LPs themselves taking out NAV financing. The panel agreed that when GPs clearly explain the rationale, structure and costs early on, LPs rarely push back.
- The market is seeing a continued increase in bank lenders and alternative lenders and cooperation between the two, with alternative lenders complementing traditional bank offerings with increased flexibility.
- There has been an increase of neo banks (generally, digital banks) in the space, which is expected to continue.
- In the midmarket space, NAV deals tend to be bilateral (given size), which simplifies structuring. Lenders are attracted by lower headline LTV attachment points, better security packages and stronger valuation rights compared to larger-cap equivalents.
- Exits are expected to be low for the rest of the year, but further growth in the NAV market is expected as the fund finance universe continues to mature and attract large institutional capital, including insurance money.
- NAV loans more frequently fall into the securitisation category. There is more credit tranching now in fund finance and more sophisticated testing around concentration limits and eligibility

criteria. Pooling credit assets and tranching liabilities could cause a transaction to be a securitisation. Similarly, a tranching loan to a credit fund could be a securitisation, because if there is tranching and a portfolio of credit assets, there is non-negligible risk of tripping the securitisation regulations. Once the securitisation regulations apply, the risk retention rule comes into play, and this could be complex or nuanced. There's also an administrative burden of complying with the related transparency and reporting requirements.