

Tan, Shultz and Low in Private Equity Law Report: Trends in Fund Finance Market and Key Terms Reflect Increased Diversification and Industry Adoption

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PRACTICES Finance, Fund Finance

In an article for *Private Equity Law Report*, Haynes Boone Fund Finance Global Head [Albert Tan](#) and Co-Heads [Brent Shultz](#) and [Deborah Low](#) break down the firm's [2026 Fund Finance Annual Report](#), highlighting how the fund finance market has broadened, diversified and matured across both subscription and NAV facilities.

Read an excerpt below.

Evolving Fund Finance Market

“Structures that were once offered by only a handful of lenders have gained broader market acceptance. A prime example is the inclusion of rated note feeder investors in borrowing bases for subscription line facilities...” Shultz said.

“Our industry exists within the broader private capital markets, and trends in that ecosystem – e.g., fund sizes, investor compositions, the proliferation of continuation vehicles and the growth of rated products – all drive innovation and change within fund finance,” Shultz continued. “But widespread adoption typically takes several years, as the market tests, iterates and standardizes new approaches.”

Subscription Financing

“Subscription line facilities remain the foundation of the market,” Shultz asserted. “The product also continues to evolve, with lenders incorporating term loan components, uncommitted facilities and bespoke solutions for high-net-worth funds, evergreen funds and funds-of-one.”

Increasing Competition

The primary driver of pricing compression has been “increased competition from new bank lender and non-bank lender entrants into a market with historically positive returns relative to its low-risk profile and near-zero default rates,” Tan explained. ...

“Fund finance is often viewed as the gateway to developing fund-level relationship with private capital fund sponsors that will lead to other financing opportunities with sponsors in the long lifecycle of a private capital fund,” he observed.

Future Trends

“After two years of meaningful compression, subscription line pricing appears to be stabilizing,” according to Tan. ...

“Lenders generally have internal return hurdles that they need to hit to sustain the bank capital allocation to the subscription line product,” he explained. “Our data suggests that lenders in the market are generally maintaining their discipline in underwriting to ensure that they are meeting their return hurdles.”

Facility Size and Term

“Increased facility sizes are a natural evolution reflecting larger fund vintages,” Low explained. “With more lenders entering the market, there is a greater ability to syndicate and fill larger facilities.” ...

“Increased tenors have been influenced by competition and pricing volatility, with some lenders including longer tenor options to differentiate their offering,” Tan noted. “Depending on current pricing and anticipated rate movements, there are periods when it makes more sense for both lenders and borrowers to agree to longer tenors with pricing fixed upfront.”

Financial Covenants

“Financial covenants and lender protections increased in 2024 and remained elevated throughout 2025, with only 16% of lenders reporting they did not encounter some form of financial covenant during the year,” Low continued. ...

“Financial covenants like fundraising targets, minimum funded capital commitments and minimum number of investments tests help protect the lender until a sufficient collateral pool is established,” Low explained.

Anticipated Growth

“NAV financings have matured into an established pillar of the market,” according to Shultz. ...

“The increasing acceptance of NAV facilities by both lenders and investors speaks to a market that is growing in a disciplined way, with conservative advance rates and LTVs, supported by an industry focused on transparency rather than unchecked leverage,” Shultz reasoned.

2026 Outlook

The ongoing growth in fund finance “should not be conflated with a buildup of systemic leverage risk,” noted Shultz. “Subscription line facilities have historically maintained one of the lowest default rates of any lending product and are inherently overcollateralized, and the NAV market’s track record has been similarly strong.” ...

“Insurance capital is increasingly integral to the fund finance market,” according to Shultz. “Insurers participate in subscription lines, NAV facilities, structured solutions and other fund finance products.”

Read the full article on *Private Equity Law Report* [here](#).