Fund Finance Report Reveals Growth Outlook Despite Challenges

By Brent Shultz, Albert C. Tan | February 14, 2024

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Haynes Boone released its first-ever Fund Finance Annual Report, which revealed an industry cautiously optimistic about growth despite facing headwinds, including rising interest rates and market disruptions.

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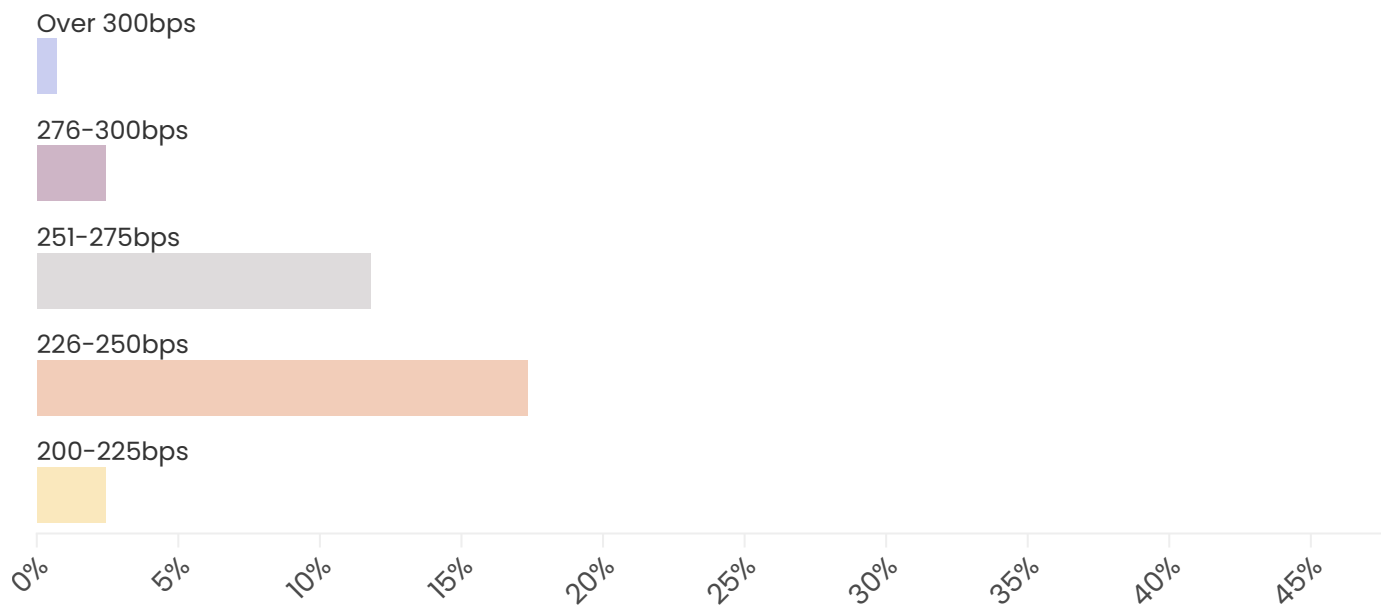
Even after the turbulent market of 2023, marked by March madness bank failures and SOFR climbing more than 100bps, 74% of banks, sponsors and law firms in Haynes Boone's report expect their institution to experience some growth in the coming year, and 63% predict overall market growth.

The report noted a significant increase in pricing for subscription line facilities, with margins rising over 17% throughout 2023. Survey data showed in Q4, 50% of financings had a spread between 226 and 250bps. Nearly half of market participants, however, expect pricing to stabilize in the next six months, with 35% expecting a slight decrease.

Subscription Line Margin/Spread Pricing in Q4 2023 (For 1 YR Tenor)



Source: Survey Data • NOTE: None were under 200bps

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"The recent volatility in the market has understandably raised concerns about the future of fund finance," said Aleks Kopec, partner in Haynes Boone's Fund Finance Practice Group. "But our data shows that subscription lines remain valuable tools for sponsors, and they have historically proven resilient even through periods of higher interest rates."

The report shows after a period of shorter deals, subscription line tenors are lengthening, with more two-year facilities and larger potential sizes through accordion options. Refinancing activity is up due to market shifts, while favorable pricing of uncommitted facilities is attracting borrowers.

Expected Institutional Level Activity in 2024

Source: Survey Data

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NAV financings are also gaining traction despite recent market challenges, offering crucial liquidity

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to portfolio companies even as concerns linger about transparency and loan terms.

Expected Market Activity in 2024

Source: Survey Data

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The report draws from three sources. The bulk of the data is fresh from a January 2024 survey on pricing and market expectations, which received responses from more than 120 individuals from 61 leading banks, sponsors, and law firms. The Haynes Boone annual report also pulled from a live poll conducted at an industry event in November 2023, and the firm's internal data on closed deals provided valuable context and trends.

The report includes 26 charts and insights on pricing, subscription line facilities, NAV financings,

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and the market outlook for 2024.

Trends in Subscription Line Pricing Over the Past 18 Months

Source: HB Data

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The Haynes Boone Fund Finance team is a global leader in representing commercial and investment banks acting as agents and lead arrangers in fund finance facilities for private capital funds across the globe. The firm was instrumental in developing the structure and documentation for the first subscription-secured financing in the late 1980s and continues to be a pioneer and innovator in the fund finance market.

About Haynes Boone

Founded in 1970, Haynes Boone provides a full spectrum of legal services across multiple sectors, including energy, financial services, private equity and technology. The firm's nearly 700 lawyers practice in 19 offices in California, Colorado, Illinois, New York, North Carolina, Texas, Virginia and Washington, D.C., as well as London, Mexico City and Shanghai. Haynes Boone was recognized in the 2022 BTI Consulting Group's A-Team report, which identified firms commended by in-house counsel for superior client service, and it was ranked 21st in The American Lawyer's 2023 Diversity Scorecard, which evaluated 228 participating firms by the diversity of their attorney populations. For more information, visit haynesboone.com.

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