

Credit Funds: Considerations of a Credit Fund as a Borrower Under Subscription-Secured Facilities and NAV Lines

November 18, 2024 James Tinworth, Emily Fuller

PRACTICES Fund Finance, Investment Management, Finance, Fund Formation and Management

Haynes Boone Partners [James Tinworth](#), [Emily Fuller](#) and Jennifer Passagne authored an article in *The Alternative Investment Management Association Journal* exploring the structural and financing considerations of private credit funds, focusing on hybrid fund models, tax-efficient structuring and the tailored use of subscription-secured and NAV-based facilities to balance liquidity, risk and investor preferences.

Read an excerpt below:

When structuring any fund, the same questions need to be asked. For instance: What is the strategy? Who are the likely investors? Does the fund sponsor and/or the key investors have a preferred fund domicile? In what jurisdictions are the investors, assets and manager/adviser likely to be? What is the liquidity of the underlying portfolio (and to what extent should the liquidity terms offered to investors reflect it)? Is carried interest structuring required?

For private credit funds, extra time and attention needs to be given to the questions relating to the liquidity of the underlying loans and the liquidity provided to investors (open-ended, closed-ended or somewhere in-between); upstream structuring (such as blocker vehicles above the fund); and downstream structuring (such as securitisation vehicles and/or SPVs beneath the fund vehicle).

1. Open-ended, closed-ended or 'hybrid'?

Open-ended funds allow new investors to come into the fund on a regular basis and investors can redeem/withdraw on request (subject to the fund's terms). The classic hedge fund structure is open-ended.

Closed-ended funds permit new investors to come into the fund at the beginning of the fund's life (via one or more closings) and investors generally have no redemption rights. These funds generally have a fixed life. The classic private equity fund structure is closed-ended.

[Read the full article at AIMA.](#)