

## Ellen Gibson McGinnis, Deborah Low in Lexis Practice Advisor: NAV Facilities and Hybrid Facilities

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**PRACTICES** Fund Finance, Finance

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This practice note describes net-asset-value (NAV) and hybrid forms of subscription facilities. These facilities are distinguished in part by their different collateral packages, with the hybrid being secured by uncalled capital commitments and portfolio assets, and the NAV secured by portfolio assets only. This note describes how these facilities differ from each other and from subscription facilities, and how that impacts the timing and availability of borrowings, the due diligence process, and the drafting of covenants, remedies, and other provisions of the loan documents.

### **Introduction: What Are NAV and Hybrid Facilities?**

As an increasing number of funds look to enter into subscription-secured credit facilities, the fund finance market has expanded rapidly. This has given rise to an increase in the prevalence of traditional subscription-secured credit facilities, where the primary collateral securing the credit facility is the contractual obligations of the fund's investors to make capital contributions to the fund and the bank account into which such capital contributions are made.

Excerpted from *Lexis Practice Advisor*. To read the full article, click on the PDF below or [here](#) (subscription required).

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