

Brent Shultz, Holly Loftis, Deborah Low Author Bloomberg Law Article on SMA Subscription Credit Facilities

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Institutional investors and sponsors continue to find value in private investment vehicles organized by a sponsor for a single investor or group of affiliated investors, known as separately managed accounts (SMAs or funds of one). According to industry data, there were 175 such private equity SMAs that had raised roughly \$19 billion over the course of 2020 and 2021.

From a sponsor's perspective, SMAs provide an opportunity to attract or strengthen their relationship with desirable investors, such as large pension funds, sovereign wealth funds, insurance companies, and endowments that are willing to make sizeable investments to the sponsor's funds. From an investor's perspective, SMAs are attractive because unlike commingled funds with large pools of investors, SMAs can offer the investor a tailored investment strategy based on the investor's objectives, portfolio management needs, and risk appetite.

Additionally, when compared to commingled funds, SMAs can provide investors with greater control and an increased ability to influence the fund's investment strategy and portfolio. While large institutional investors may have one representative on the fund's limited partner advisory committee, investors participating in SMAs may have complete veto rights over a potential investment. Also, there are other benefits to investors participating in SMAs, including better economics, such as favorable fee arrangements, increased efficiency with respect to certain administrative processes, and increased reporting.

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