HAYNES BOONE

FUND FINANCE

Annual Report

2024

Authors' Note

As the fund finance industry continues to grow, so has the participation we've received for our annual survey and the number of credit facilities we've worked on over the prior year. We are pleased to prepare this annual report for the fund finance industry. In it, we share trends and insights on pricing, structures and facilities, as well as predictions for the rest of 2025. Please reach out with any feedback.

ALEKS KOPEC & BRENT SHULTZ
Partners at Haynes Boone

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Haynes and Boone, LLP
February 2025

Data Sources

1. **HB Data –** Internal data from the hundreds of fund finance facilities worked on annually.
2. **NAVember Data –** Survey results from the attendees of NAVember in November 2024.
3. **Survey Data –** Industry-wide survey administered by Haynes Boone in January 2025. The survey received over 170 responses from over 100 different sponsors, lenders and service providers. For some charts, the Survey Data is shared on an aggregated institutional level (**Survey Data (by Institution)**) (e.g., if more than one participant at an institution responded, their responses were aggregated and averaged).

Key Insights

Subline pricing is tightening to pre-regional banking crisis levels

After two years of rising costs, subscription line pricing has reversed course, with rates compressing throughout 2024 (Fig. 1.2). In Q4 2023, only 7 percent of respondents reported pricing below 225 bps, but in Q4 2024, 54 percent reported pricing below 220 bps (Fig. 1.1). Most market participants expect this downward trend to continue into 2025 (Fig. 1.3), with savvy global fund sponsors potentially leveraging regional pricing differences to optimize their facility costs (Fig. 1.1, 1.4, 1.5).

> After rising for nearly two years, fund finance pricing is now compressing, signaling a robust and competitive market with new players.
>
> **BRENT SHULTZ,** Partner at Haynes Boone

New entrants flock to industry

Despite the turbulence in 2023, with several regional banks failing and notable lenders exiting the market, the industry has seen a surge of new lenders over the past 12-18 months. Survey participants expect this trend to continue in 2025, intensifying competition and driving more syndication opportunities (Fig. 4.2). While this shift benefits borrowers, it can also bring less stability and more variable market terms, as newer entrants often have unique requirements and may exit the market quickly. For established lenders, this shifting competitive landscape is their top concern (Fig. 4.6) and has given borrowers more negotiating power (Fig. 4.7).

> New entrants, including private capital, are shaking up the industry, bringing both fresh opportunities and heightened challenges.
>
> **ALEKS KOPEC,** Partner at Haynes Boone

Industry continues to innovate

The fund finance industry has evolved from its subscription line roots to a diverse ecosystem of tailored financial products. Even within subscription credit facilities, innovation continues with lenders offering more flexible terms and bespoke solutions, such as term loan components, uncommitted facilities and financing options for HNW funds, evergreen funds and funds-of-one (Fig. 4.1). Non-traditional credit providers, including insurance companies and private credit funds, are sparking this change, introducing creative structures that align with both borrower needs and lender objectives. Now, over half of industry participants have engaged in or are considering capital relief trades (Fig. 4.12), indicating a trend towards more complex and strategic financing solutions, including securitizations.

> Sophisticated sponsors continue to push evolution in the fund finance market. Borrowers are increasingly looking for bespoke and flexible terms to meet their needs and deep relationships with lenders foster collaboration in the development of workable structures.
>
> **DEBORAH LOW,** Partner at Haynes Boone

Demand for fund finance is shaped by external factors in private markets

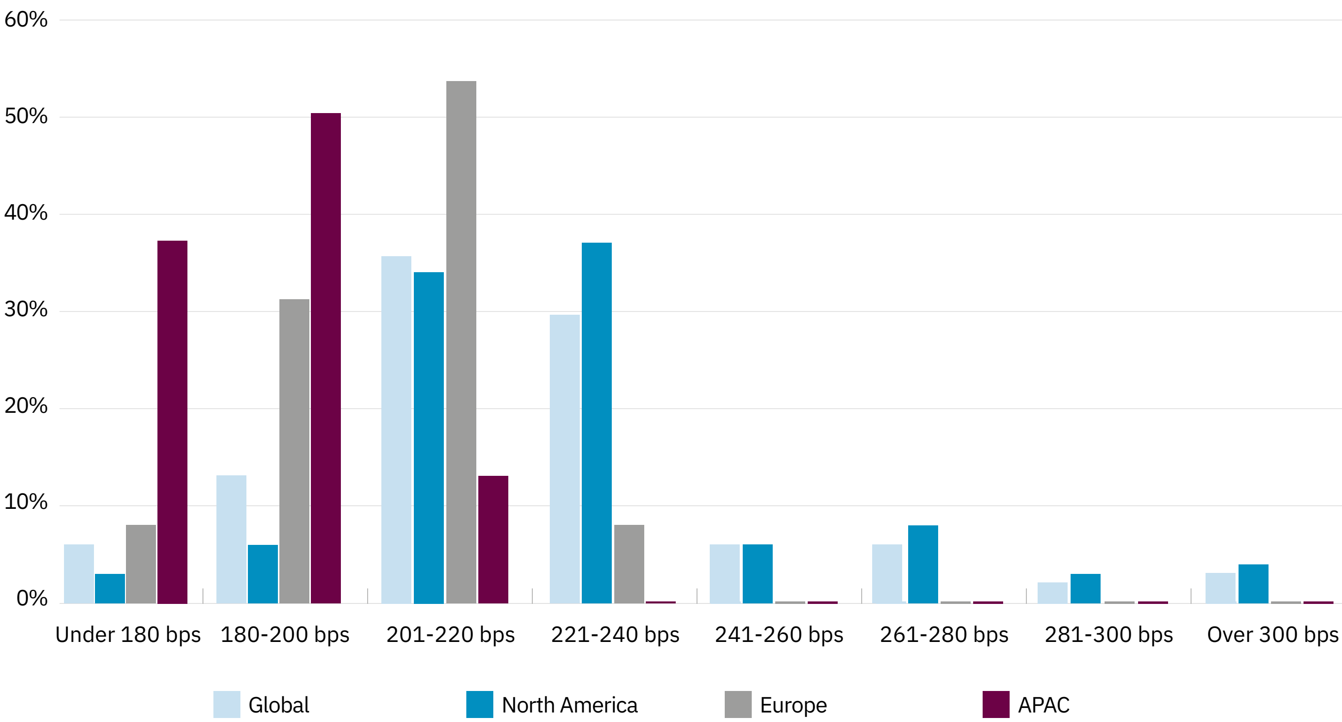
External forces continue to shape fund finance demand, from interest rate movements to regulatory changes in banking and private funds. Market sentiment suggests a robust 2025, with 55 percent of participants forecasting improved fundraising conditions compared to 2024 (Fig. 4.10). Liquidity events, such as IPOs and acquisitions, also play a key role in market flow, and 77 percent of respondents expect a better exit environment in 2025 (Fig. 4.9), which could unlock capital and further drive fund finance activity.

> With a stronger fundraising and exit outlook for 2025, fund finance is poised for a big year. Smart sponsors are already positioning themselves to capitalize on these opportunities.
>
> **TODD CUBBAGE,** Partner at Haynes Boone

Pricing

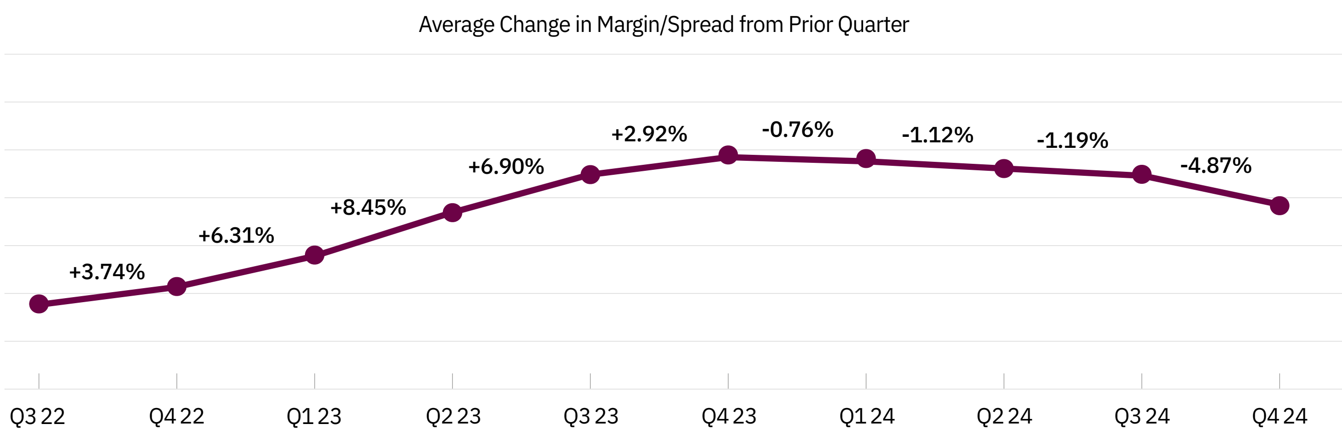
Subscription Line Margins/Spreads

1.1 AVERAGE SPREAD/MARGIN FOR SUBSCRIPTION LINE FACILITIES WITH 1-YEAR TENOR (Q4 2024)



Source: Survey Data (by Institution)

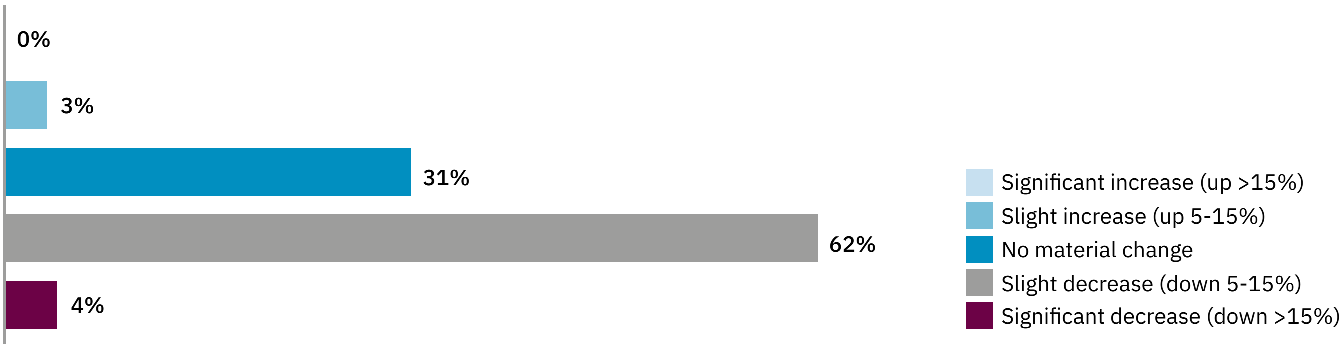
1.2 TRENDS IN SUBSCRIPTION LINE PRICING (MARGIN/SPREAD)



Source: HB Data

Subscription Line Margins/Spreads

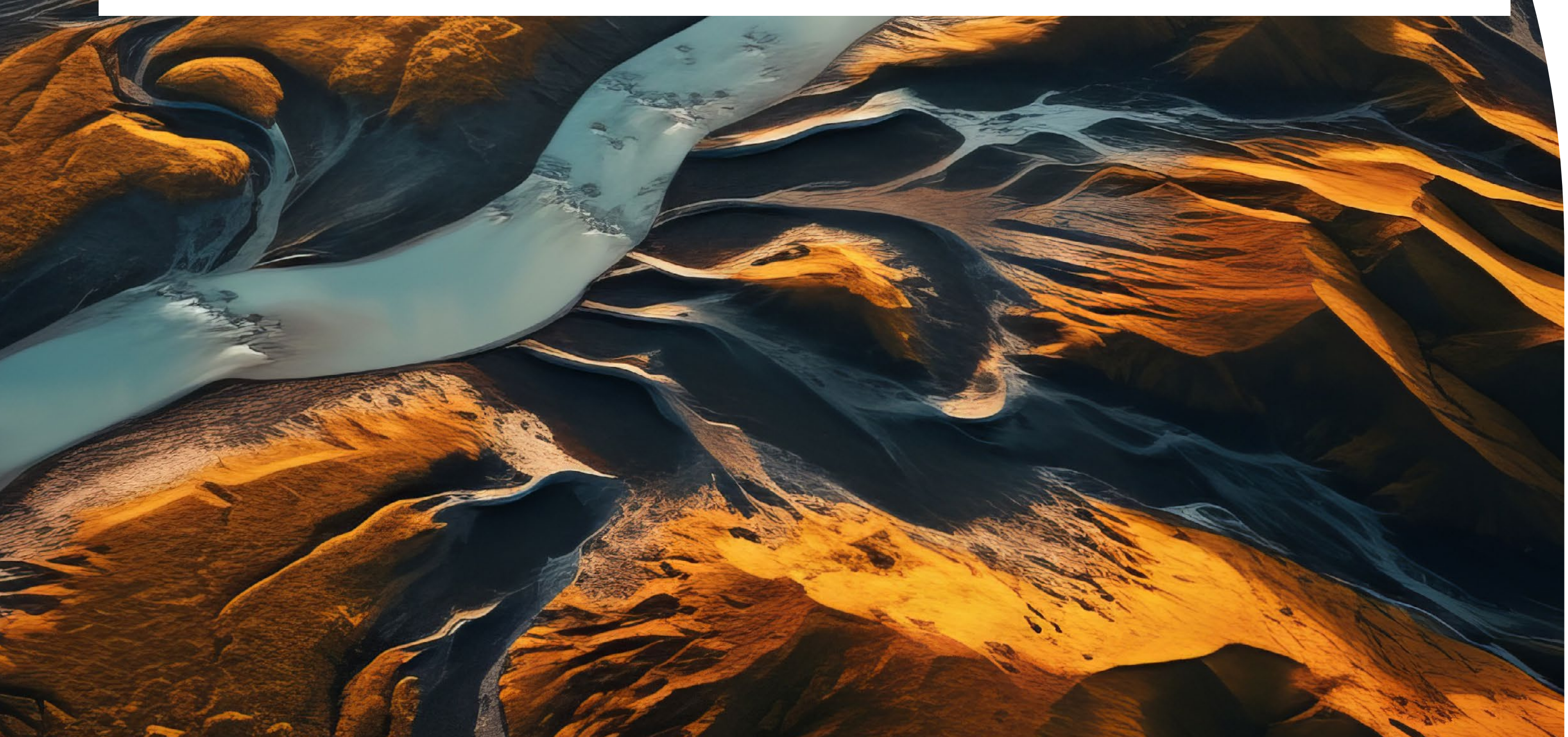
1.3 ANTICIPATED CHANGE IN SUBSCRIPTION LINE PRICING IN H1 2025



Source: Survey Data

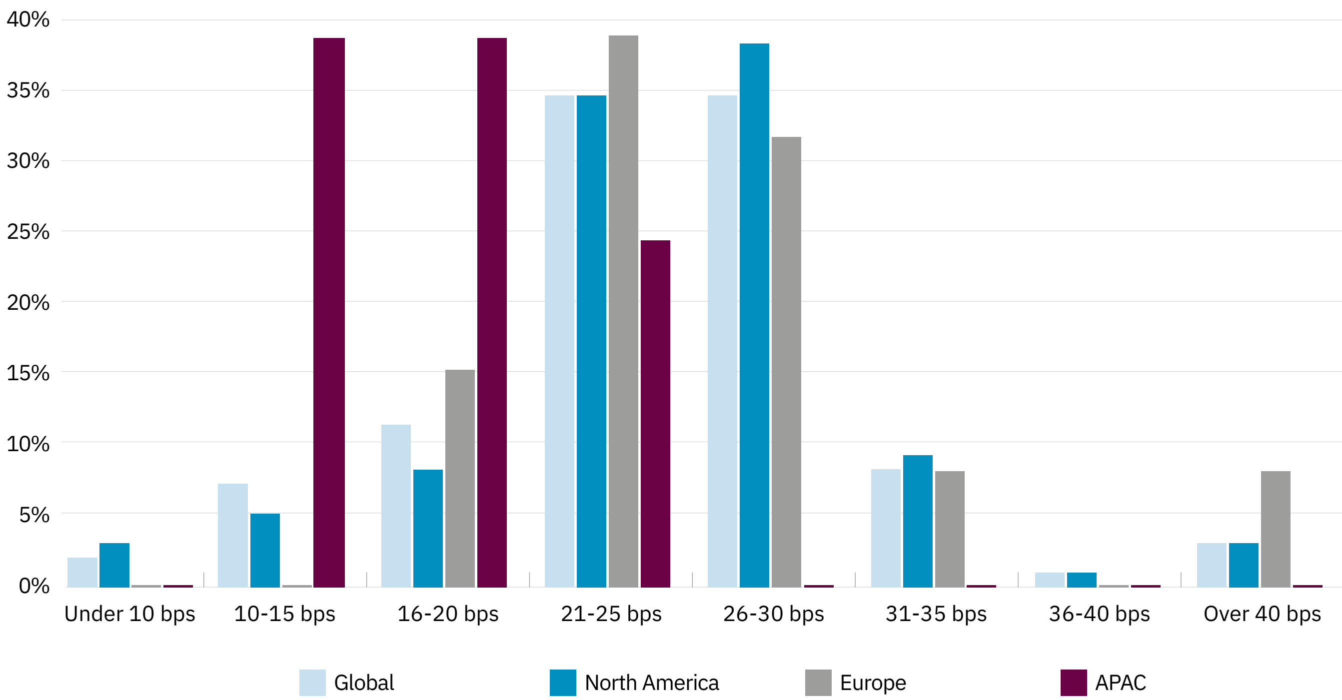
KEY TAKEAWAYS

- Pricing continues to compress market-wide for subscription lines; notably 54 percent of respondents saw pricing below 220 bps, compared to only 7 percent last year.
- Pricing for longer facilities (two-plus years) compared to one-year facilities is often 10-15 bps higher.
- While the overall market pricing has compressed, smaller facilities (under $50mm) have a wider range of pricing, while larger syndicated transactions offer a narrower band, stabilizing the overall market.



Subscription Line Upfront Fees

1.4 SUBSCRIPTION LINE UPFRONT FEE PRICING IN Q4 2024 (PER ANNUM)



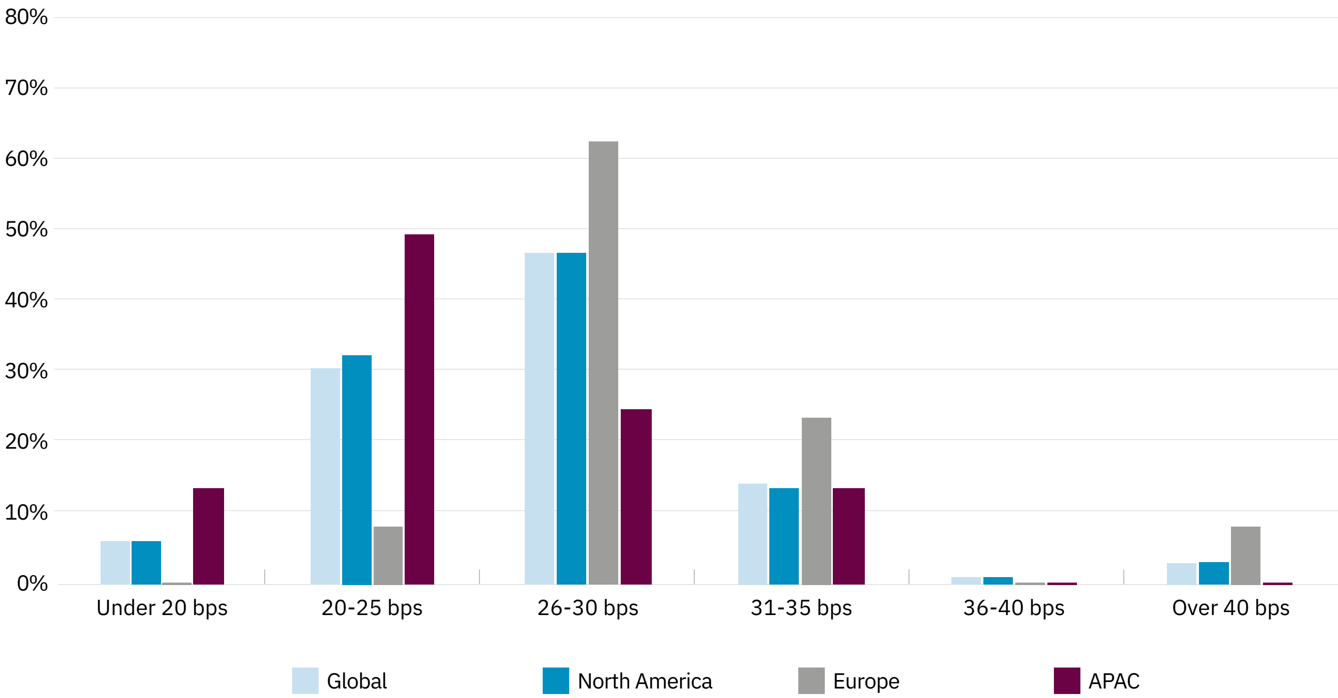
Source: Survey Data (by Institution)

KEY TAKEAWAYS

- The pricing trends continue in upfront fees with 88 percent of respondent's noting upfront fees at 30 bps or lower, compared to only 52 percent last year.
- North America, the largest global fund finance market, has the highest and most dynamic upfront fee environment.

Subscription Line Unused Fees

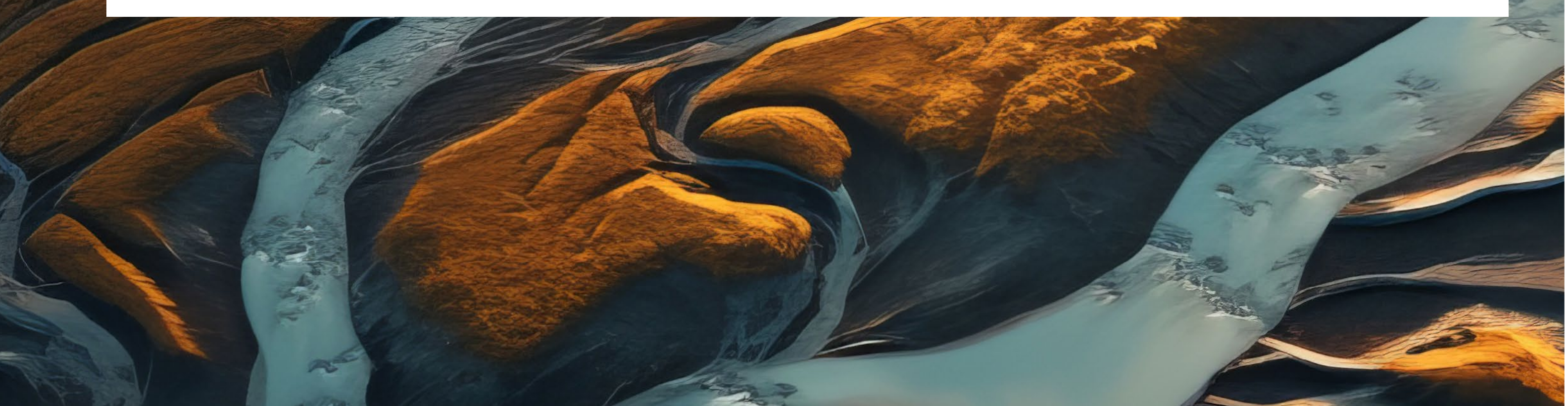
1.5 **SUBSCRIPTION LINE UNUSED FEE PRICING IN Q4 2024**



Source: Survey Data (by Institution)

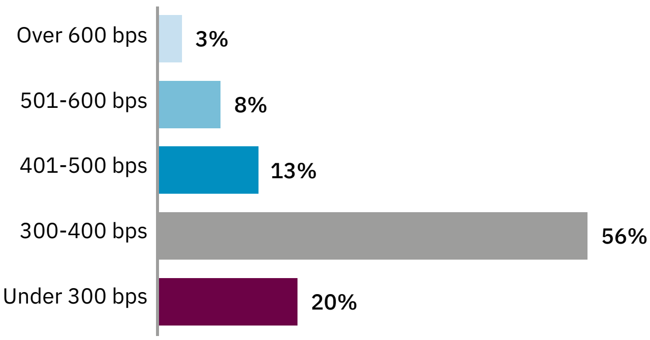
KEY TAKEAWAYS

- In Q4 2023, only 43 percent of respondent’s saw unused fees at 30 bps or lower, compared to 82 percent in Q4 2024.
- The bifurcation of unused fees has become a common tool for lenders to incentivize facility usage.
- The range of bifurcated unused fees also increased, with a difference as high as 25-50 bps between the bifurcated unused fees, compared to 5-10 bps seen in the past.



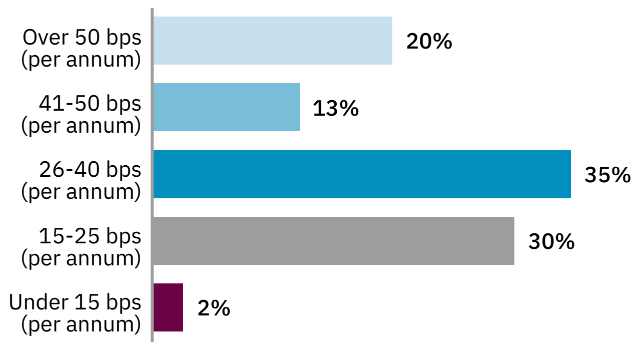
NAV Facilities – Margins/Upfront Fees

1.6 NAV AVERAGE MARGIN/SPREAD PRICING IN H2 2024



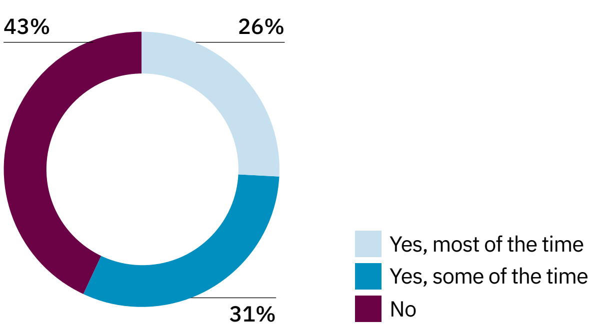
Source: Survey Data (by Institution)

1.7 NAV AVERAGE UPFRONT FEES IN 2024



Source: NAVember Data

1.8 NAV EARLY TERMINATION FEES



Source: NAVember Data

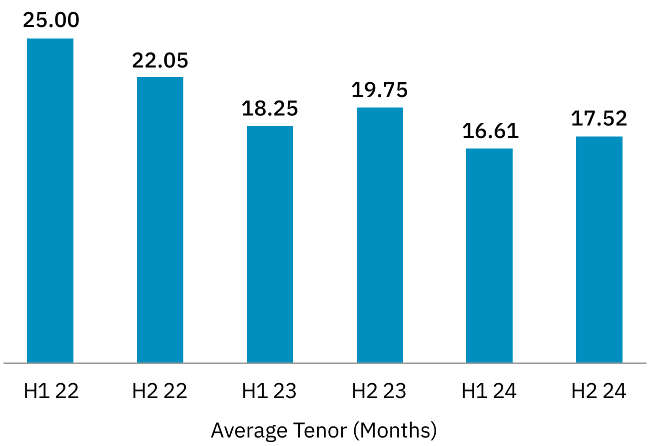
> We expect NAV facilities to become less expensive for the sponsors, but they will continue to offer higher returns for lenders vis-a-vis subscription loans. Though market trends may favor general structures or pricing ranges, facilities will continue to be bespoke to individual sponsors.
>
> **LEANN CHEN,** Partner at Haynes Boone

KEY TAKEAWAYS

- We continue to see significant spread variance from deal to deal.
- Pricing is more competitive as compared to the past two years, especially where underlying assets are of high quality.
- Sponsors may find willing lenders for lower quality assets but may see impacts on pricing and advance rates.

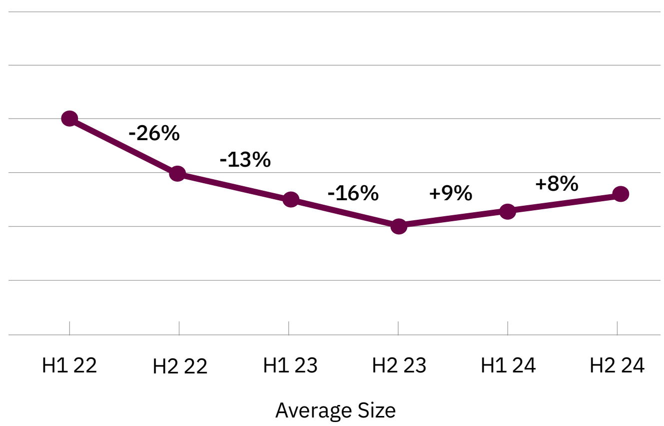
Subscription Line Facilities

2.1 AVERAGE INITIAL FACILITY TENOR



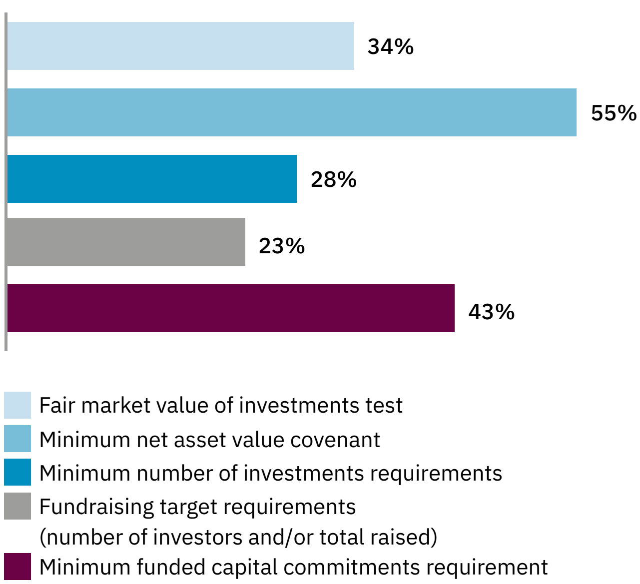
Source: HB Data

2.2 CHANGES IN AVERAGE INITIAL FACILITY SIZE (COMPARED TO PRIOR SIX MONTHS)



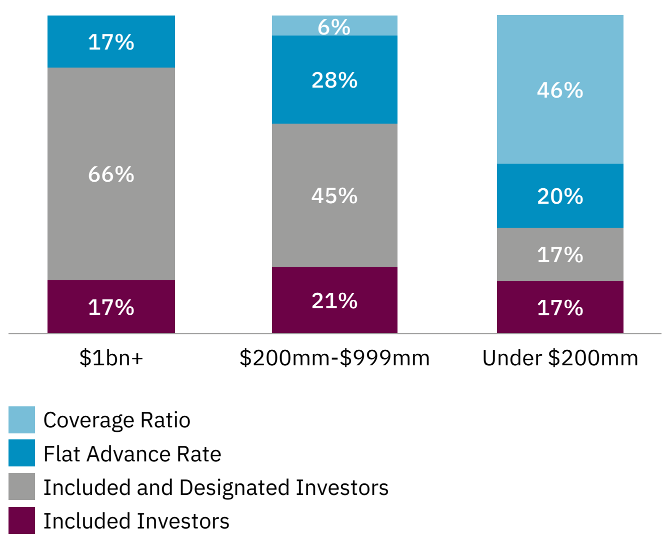
Source: HB Data

2.3 FINANCIAL COVENANTS AND LENDER PROTECTIONS SEEN IN H2 2024 (MULTIPLE SELECTIONS ALLOWED)



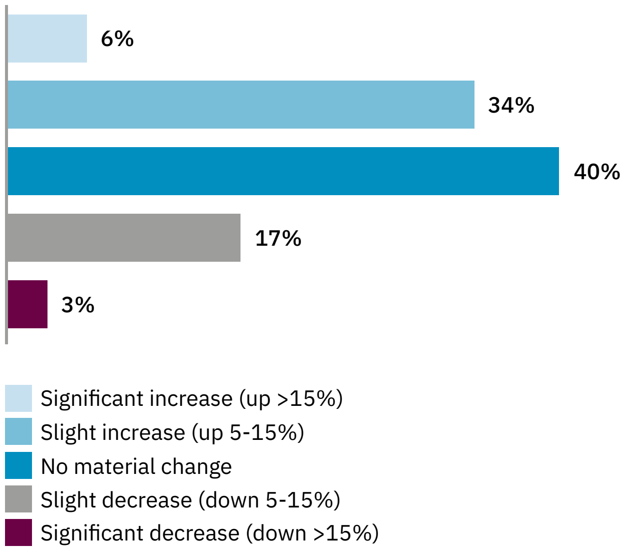
Source: Survey Data (by Institution)

2.4 BORROWING BASE APPROACHES BY INITIAL FACILITY SIZE IN 2024



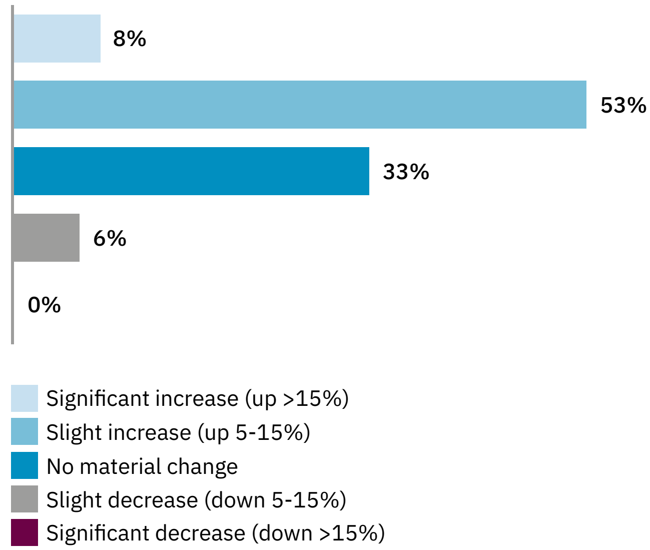
Source: HB Data

2.5 VOLUME OF 2024 BORROWINGS (H2 VS H1)



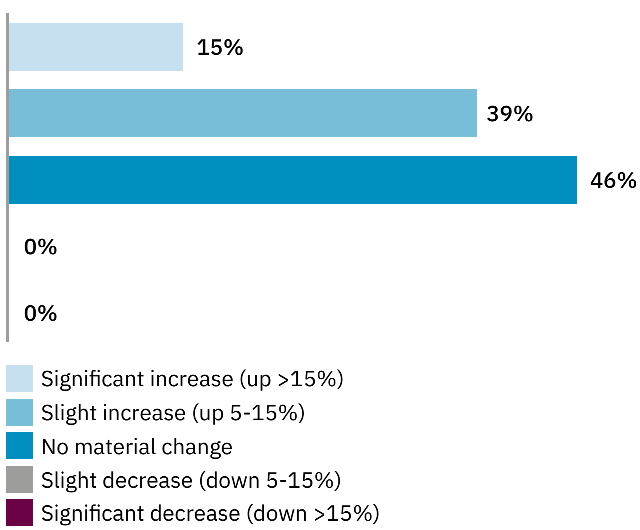
Source: Survey Data

2.6 LENDERS: ANTICIPATED CHANGE TO VOLUME OF BORROWINGS IN H1 2025



Source: Survey Data

2.7 SPONSORS: ANTICIPATED CHANGE TO VOLUME OF BORROWINGS IN H1 2025



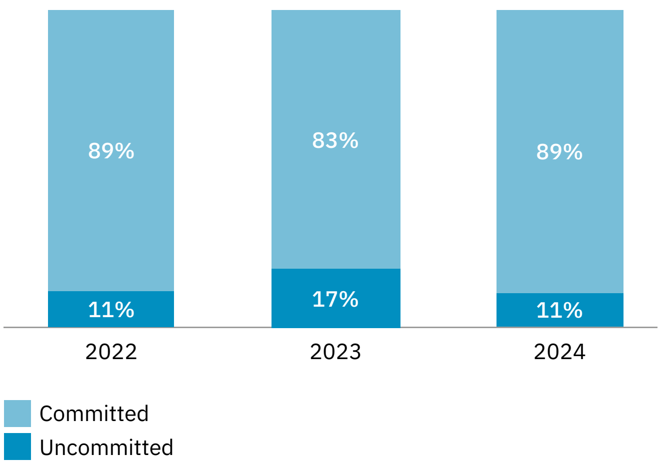
Source: Survey Data

KEY TAKEAWAYS

- Due to capital requirements and evolving market conditions, there is lender hesitation to commit to longer periods.
- The increase of sponsors' usage of borrowings under subscription line facilities supports the positive sentiments that 2025 will see increased investment opportunities.
- Credit agreements continue to see a variety of financial covenants – with no "one size fits all" approach to what is required.

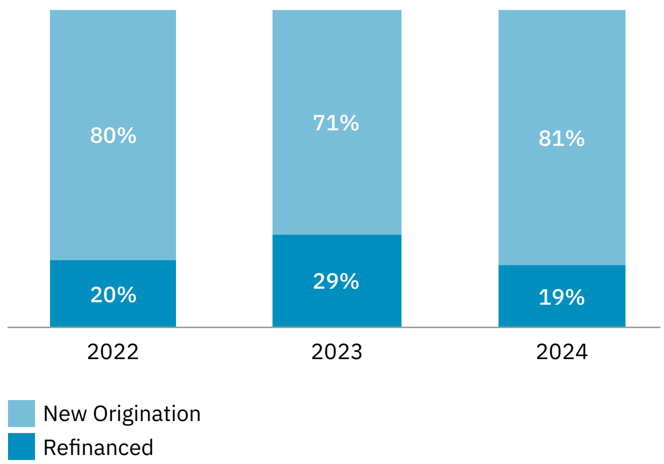
> One challenge for lenders has been the right sizing down of facilities and syndicates as and when funds with lofty fundraising targets have failed to meet them.
>
> **SURVEY PARTICIPANT**

2.8 PREVALENCE OF COMMITTED FACILITIES



Source: HB Data

2.9 PREVALENCE OF NEW ORIGINATIONS



Source: HB Data

KEY TAKEAWAYS

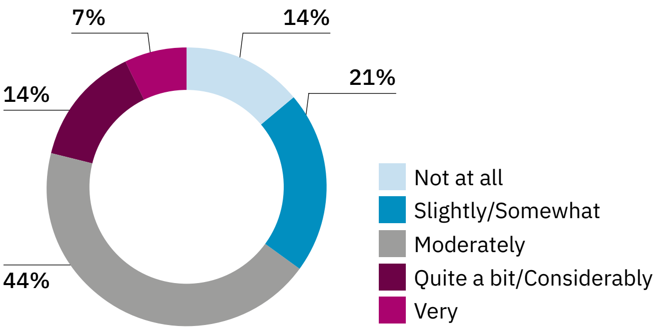
- The overwhelming preference of committed facilities is a reflection on the stability of the subscription financing market and confidence in the commercial terms remaining consistent.
- An increase in new subscription facilities correlates to more sponsors reaching successful fund closings.

“

Over the last couple of years, we have seen relaxed clean-up provisions in subscription facilities that are causing a shift in use case from a revolver to bridge cash flows and capital calls to something more like term leverage to front-load returns. The primary effect to lenders is an increase in average borrowings, but some lenders may see this as an adverse change in the risk profile of the product.

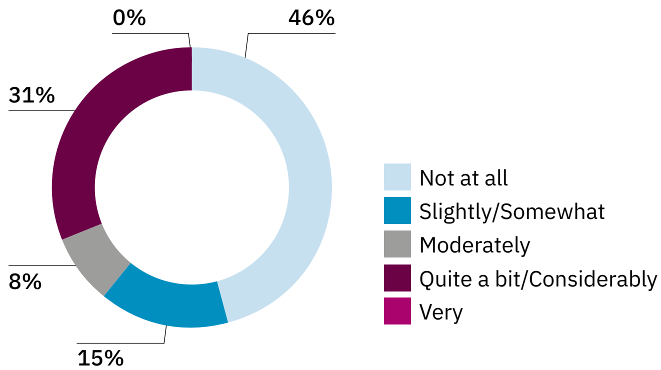
SURVEY PARTICIPANT

2.10 SPONSORS: OPENNESS TO PRIVATE RATINGS OF FACILITIES



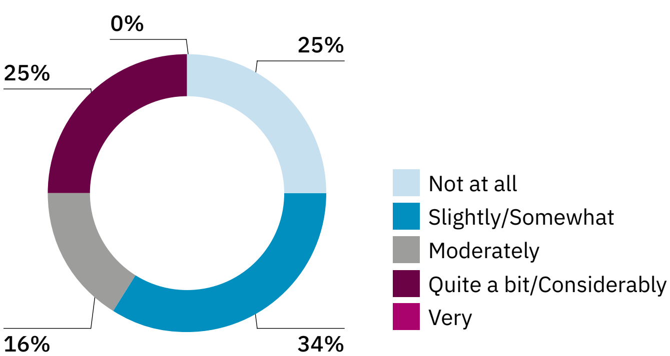
Source: Survey Data

2.11 SPONSORS: OPENNESS TO PUBLIC RATINGS OF FACILITIES



Source: Survey Data

2.12 SPONSORS: OPENNESS TO PRIVATE CREDIT PROVIDERS AS LENDERS OF RECORD



Source: Survey Data

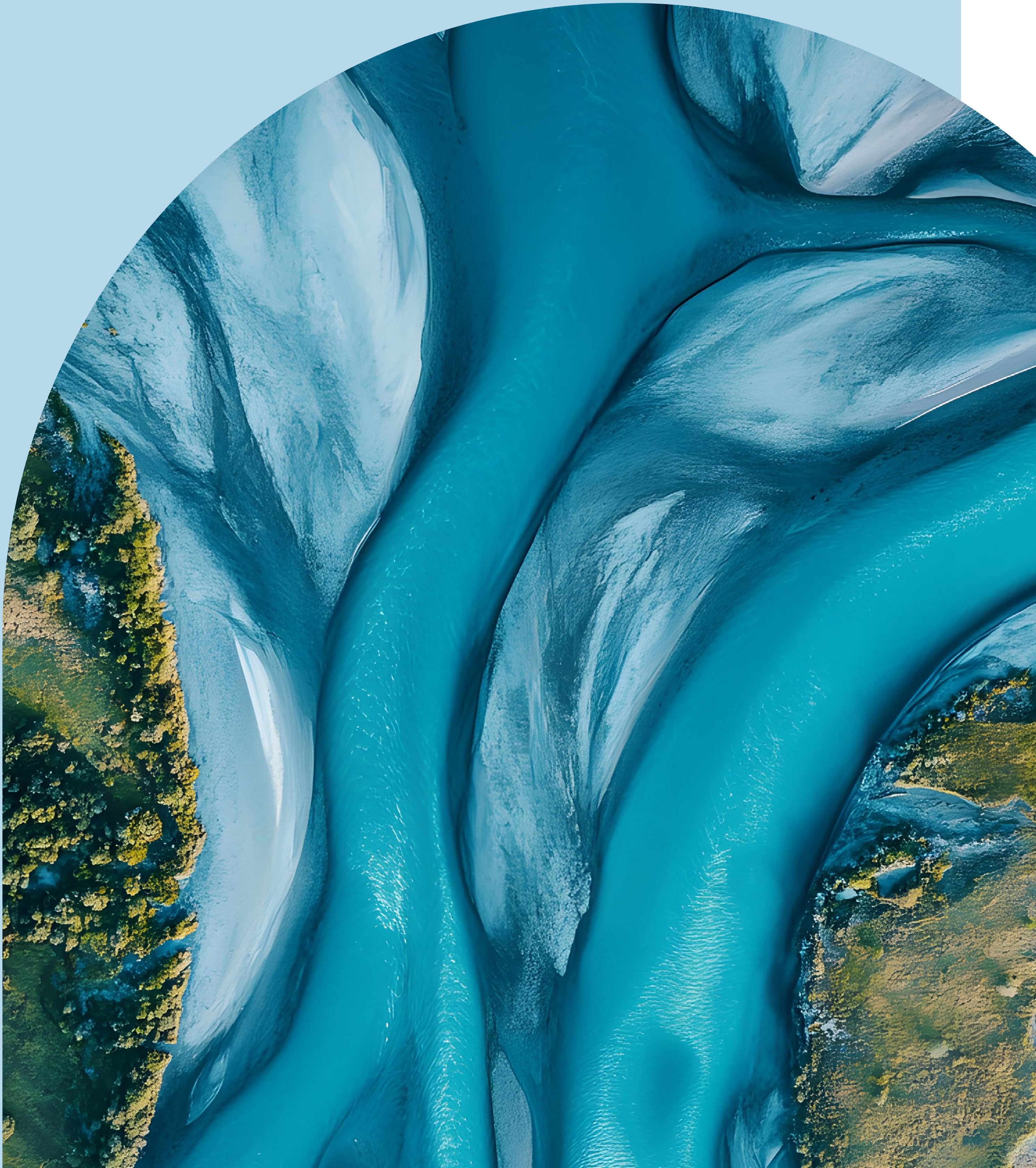
KEY TAKEAWAYS

- 2024 saw more variety in types of lenders, welcoming new institutional lender entrants as well as more private credit and insurance providers.
- More lenders are considering ratings implications when structuring facilities and asking their counsel to consider the same in the documentation.

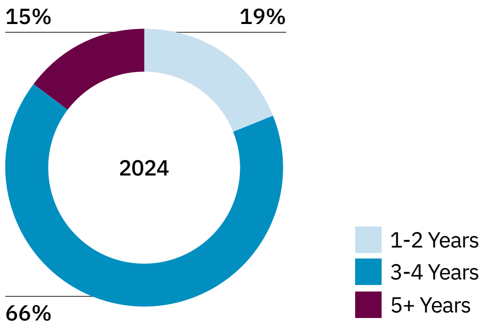
> From what we are noticing in the market, more lenders are becoming focused on the need to syndicate some of their exposure to subscription facilities. This is not due to concerns about risk, but rather to manage internal limits to the sector overall, specific large sponsors or commitment ticket sizes. We expect this trend to continue and be addressed through the use of multiple tools, including funded risk participation, CRT or securitization transactions, and insurance guarantees.

SURVEY PARTICIPANT

NAV Financings

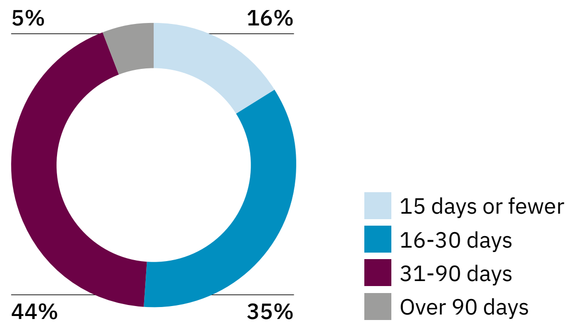


3.1 AVERAGE TENOR (2024)



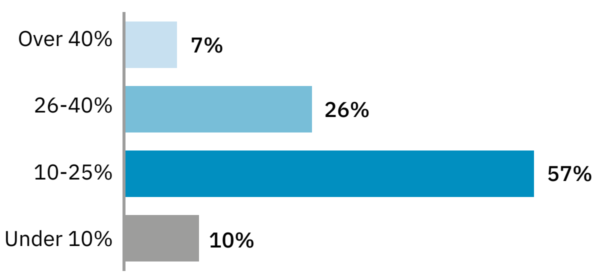
Source: NAVember Data

3.2 TYPICAL LTV CURE PERIOD



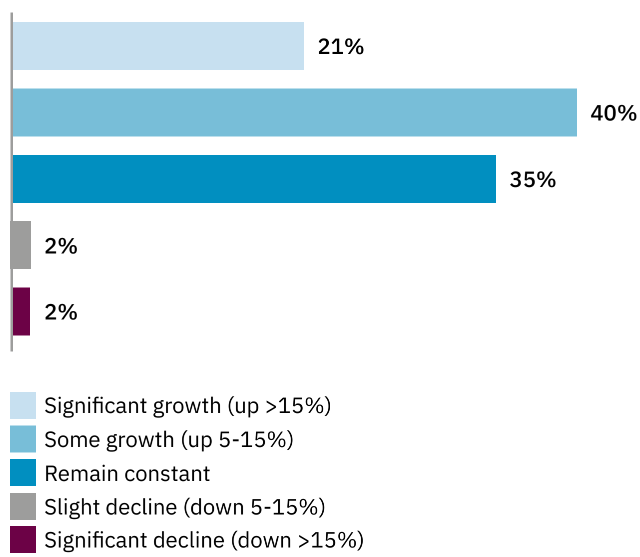
Source: NAVember Data

3.3 AVERAGE INITIAL LTV RATIO



Source: NAVember Data

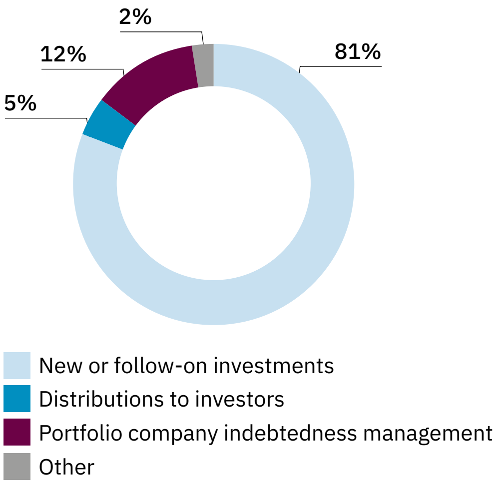
3.4 ANTICIPATED NAV GROWTH IN 2025



Source: Survey Data

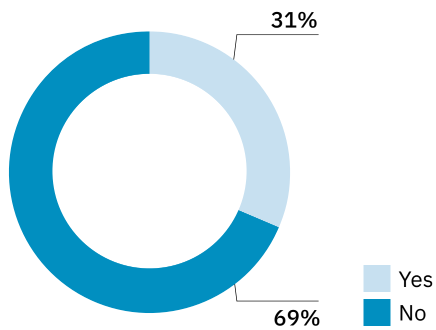
> An increasing partnership between banks and private credit lenders will expand the opportunity set and drive volume for NAV financings.
>
> **SURVEY PARTICIPANT**

3.5 TYPICAL USE OF PROCEEDS



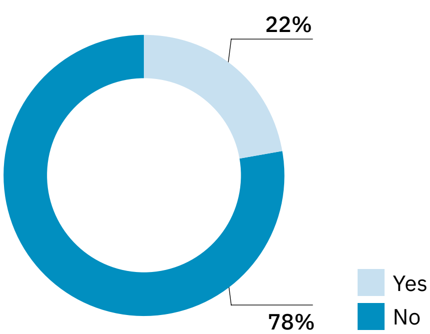
Source: NAVember Data

3.6 HAVE YOU SEEN LPs EXPRESS CONCERN ABOUT LEVERAGE IN NAV FACILITIES?



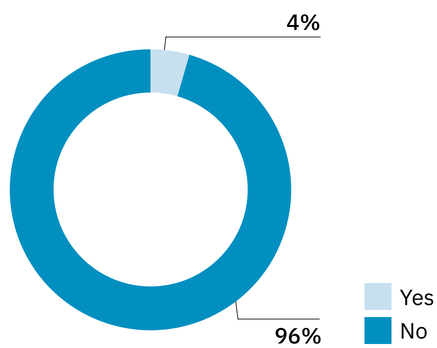
Source: NAVember Data

3.7 HAVE YOU SEEN AN AGENT OR LENDER APPRAISAL IN ANY OF YOUR NAV FACILITIES?



Source: NAVember Data

3.8 HAVE YOU SEEN ANY NAV FACILITY IN WORKOUT OR DEFAULT IN 2024?

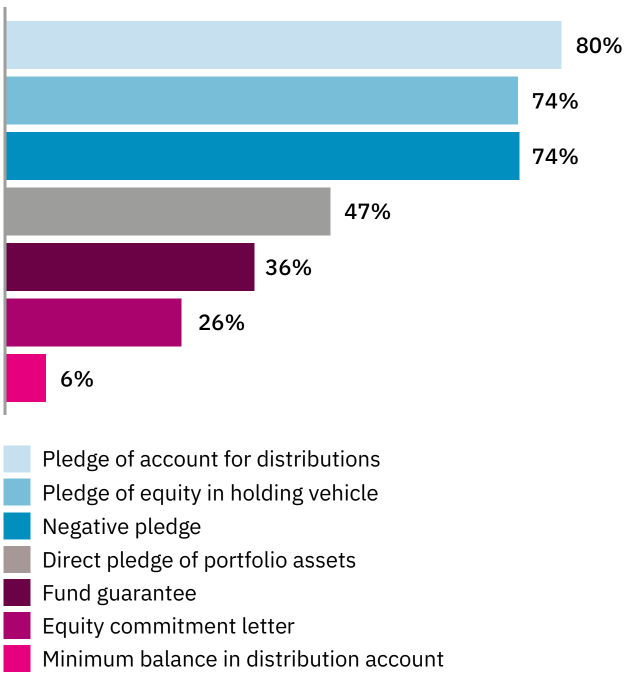


Source: NAVember Data

KEY TAKEAWAYS

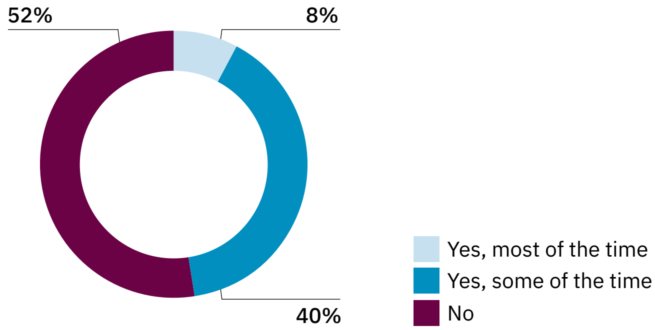
- Market participants in general anticipate substantial growth in 2025 in the NAV lending market.
- We will continue to see stiff competition between banks and credit funds in the NAV market. New market participants may continue to drive competitive pricing and terms.
- Sponsors will continue to have a variety of lenders and structures to choose from and will look to tailor their facilities to individual needs.

3.9 SECURITY PACKAGE (MULTIPLE SELECTIONS ALLOWED)



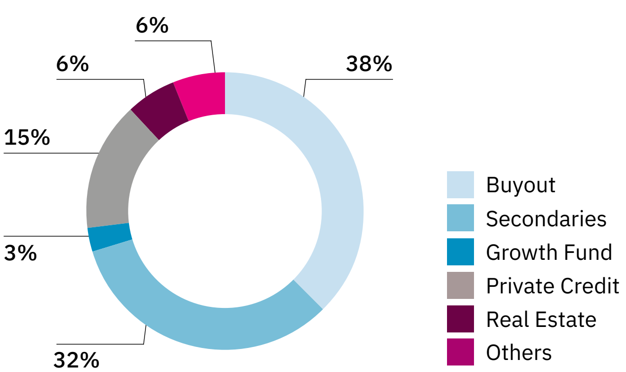
Source: Survey Data (by Institution)

3.10 MINIMUM UNCALLED CAPITAL REQUIREMENT



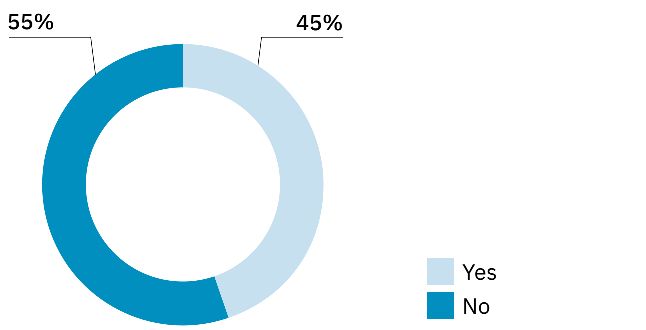
Source: Survey Data (by Institution)

3.11 BORROWER STRATEGIES IN 2024



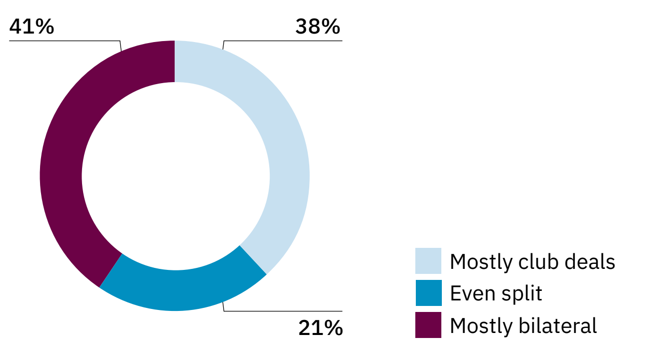
Source: NAVember Data

3.12 HAVE YOU SEEN A BORROWER THAT IS A CONTINUATION FUND?



Source: NAVember Data

3.13 BILATERAL VS CLUB DEALS



Source: NAVember Data

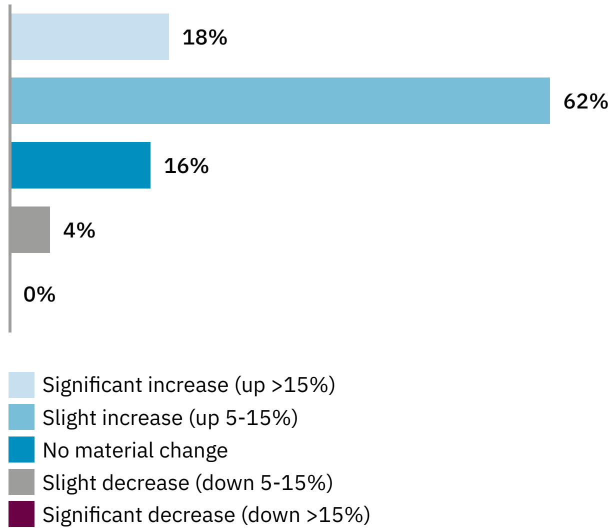
Looking Ahead: 2025

4.1 TYPE OF FACILITY OFFERED (MULTIPLE SELECTIONS ALLOWED)

84%	Subscription Line – Syndicated
75%	Subscription Line – Bilateral
63%	Subscription Line – SMA
54%	Subscription Line – Umbrella Facility
43%	Hybrid
42%	NAV – Bilateral
40%	NAV – Syndicated
39%	Subscription Line – Term Loan Component
37%	Subscription Line – Fully Uncommitted Facility
35%	Subscription Line – All HNW Borrowing Base
34%	Subscription Line – Open Ended/Semi-Liquid Fund
31%	Management Fee Line
30%	GP Financing Line
28%	Subscription Line – Rated Note Feeder in Borrowing Base
17%	Employee Co-Invest/Partner Loan Programs
9%	Other

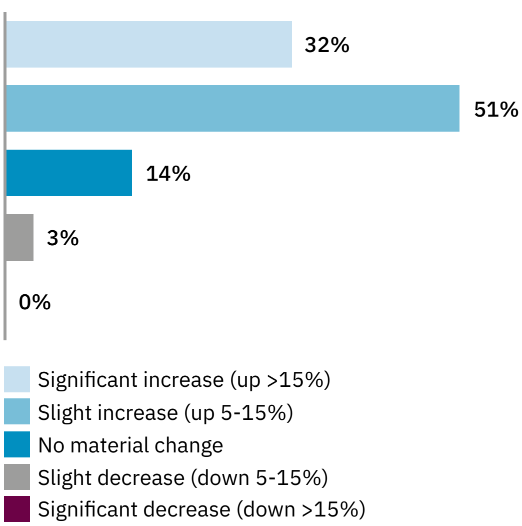
Source: Survey Data (by Institution)

4.2 EXPECTED MARKET ACTIVITY IN 2025



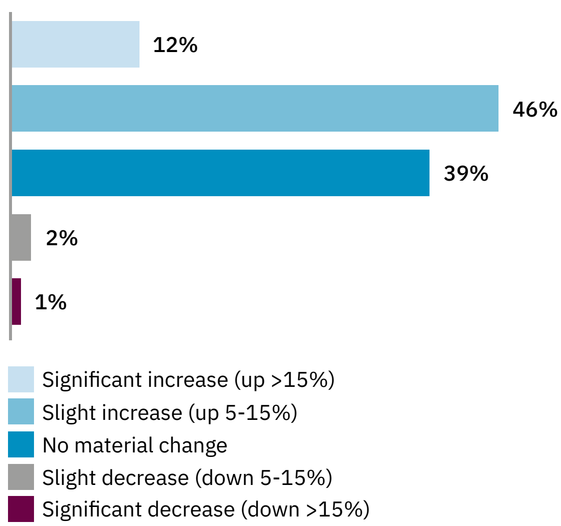
Source: Survey Data

4.3 EXPECTED INSTITUTIONAL LEVEL OF ACTIVITY IN 2025



Source: Survey Data

4.4 EXPECTED AVERAGE LENDER HOLD SIZE IN 2025



Source: Survey Data

4.5 SPONSOR CONCERNS FOR 2025

58%	Lack of good deal opportunities
33%	Difficulty fundraising
25%	Banking turmoil and disruption/inability to fill out your fund finance facilities
17%	LP pushback on fund-level debt usage
17%	Increased pricing
17%	Regulatory changes
17%	Properly using technology (e.g., AI, tokenization, etc.)
8%	Investment performance
8%	Staffing
0%	Other

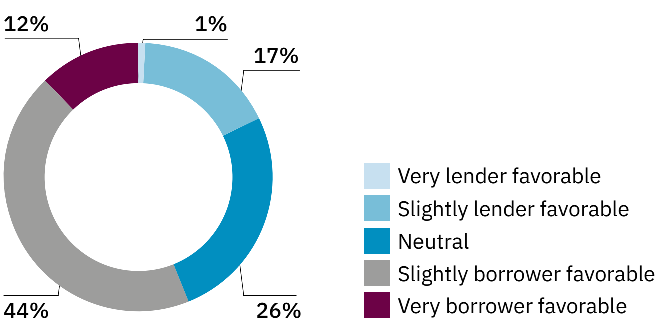
Source: Survey Data

4.6 LENDER CONCERNS FOR 2025

67%	Competitive landscape/new lender entrants
35%	Weakened deal pipeline (quality and/or quantity)
30%	Difficult exit environment and potential for funds to fail
26%	Regulatory changes and capital requirements
17%	Deposit costs/funding pressures
12%	Supply/Demand imbalance, difficulty syndicating
12%	Staffing
4%	Other
3%	Banking turmoil

Source: Survey Data

4.7 BARGAINING POWER IN CURRENT FUND FINANCE MARKET



Source: Survey Data

4.8 LENDER TARGETED FUND STRATEGIES (MULTIPLE SELECTIONS ALLOWED)

61%	Private Equity
47%	Private Debt
38%	Infrastructure
32%	Not limited to any specific strategy
32%	Secondaries
29%	Real Estate
8%	Venture Capital
2%	Other

Source: Survey Data

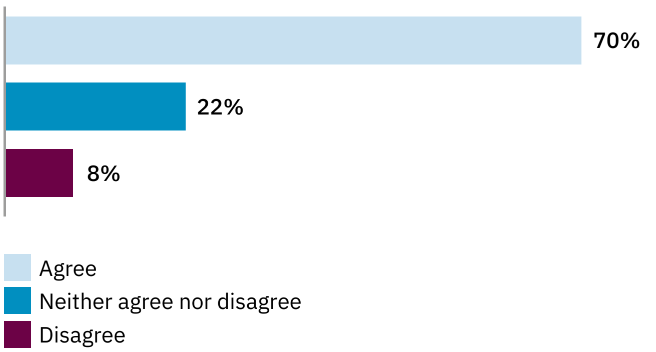
KEY TAKEAWAYS

- While lenders previously held considerable leverage, the influx of private capital and non-bank financial institutions has tilted the scales toward borrowers. In last year's survey, 80 percent of respondents said lenders had more bargaining power, while this year, only 18 percent share that same sentiment.
- "Regulatory Changes" was the top concern for lenders last year, with 43 percent saying it was their number one issue. Now, following shifts in the political and regulatory landscape, it ranks fourth, with just 26 percent calling it a potential concern.

> With all the new entrants to the Fund Finance lending side with the failures of SVB and FRB, I'll be curious to see if the new entrants will be able to have enough success to rationalize their institutions' continued use of their balance sheets.

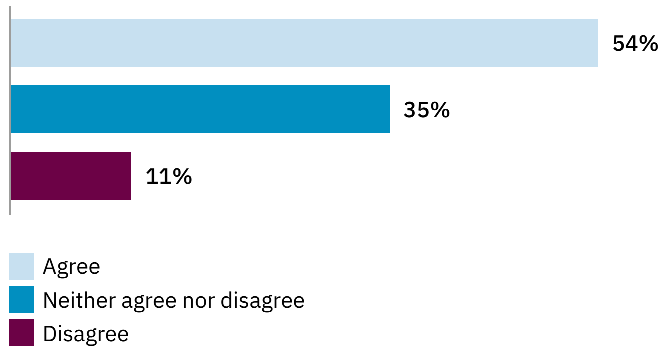
SURVEY PARTICIPANT

4.9 "COMPARED TO 2024, 2025 WILL BE A MUCH BETTER EXIT ENVIRONMENT FOR FUNDS."



Source: Survey Data

4.10 "COMPARED TO 2024, 2025 WILL BE A MUCH BETTER FUNDRAISING ENVIRONMENT FOR FUNDS."



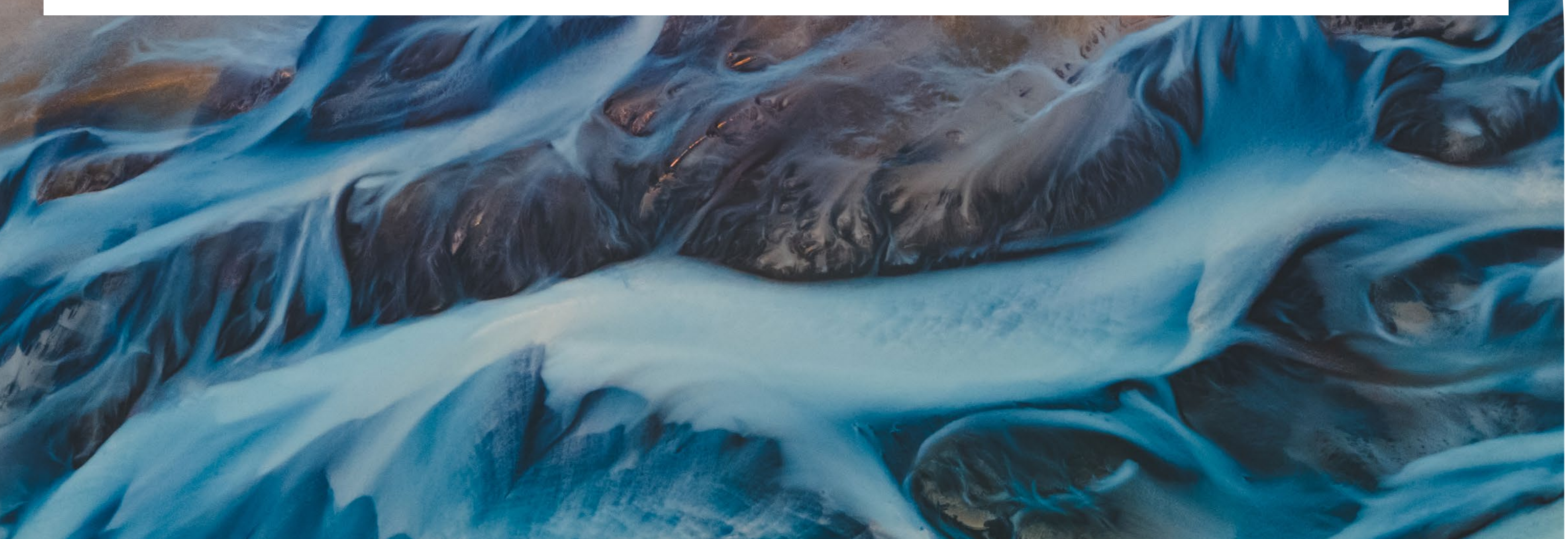
Source: Survey Data

KEY TAKEAWAYS

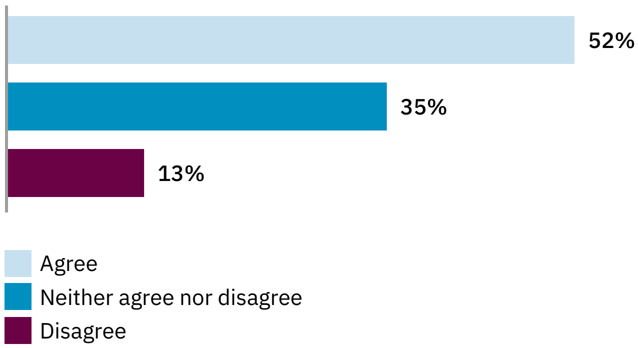
- At least a third of reporting lenders do not limit themselves to any specific fund strategy, an approach that echoes the flexibility and increased creativity in the fund finance industry.
- Furthermore, although 2024 saw systematic fundraising challenges, the positive fundraising expectations for 2025 should translate into an increase in financing opportunities.

> There is a concern that any disruption in the equity markets (i.e., a correction) could have an adverse impact on fundraising due to the denominator effect.

SURVEY PARTICIPANT

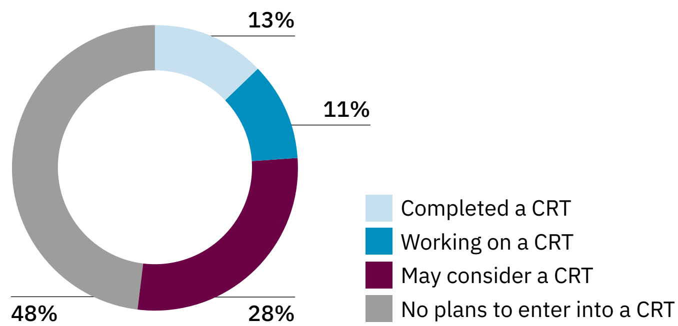


4.11 "THERE IS AN IMBALANCE BETWEEN MARKET SUPPLY AND DEMAND IN THE FUND FINANCE INDUSTRY."



Source: Survey Data

4.12 LENDER'S APPROACH TO CAPITAL RELIEF TRADES



Source: Survey Data

> The global fund finance market is dynamic and will continue to expand and evolve in 2025. We anticipate that our commercial and investment bank clients in North America, Europe and Asia will maintain or expand their subscription financing portfolio and allocations, while they enter into and offer new debt capital solutions to their private capital funds and alternative asset clients.

ALBERT TAN, Partner at Haynes Boone

> Market participants have increasingly utilized capital relief trades in order for banks to reduce the risk-weighted assets in their portfolios as a result of increased capital adequacy requirements, to meet the liquidity demands of sponsors, and to meet the needs of the growing diverse base of insurance company and asset manager investors.

JEFF BERMAN, Partner at Haynes Boone

> 2024 has been a challenging year for fund finance in Asia, marked by the uncertainty of the U.S. elections, sentiment towards China and a persistently difficult exit environment. However, there have been some positive developments, with capital raising showing improvement as the year progressed with particular interest in India, Japan and Australia-focused funds, and a shift towards innovative fund finance products to address the increasing complexity faced by managers.

SURVEY PARTICIPANT

> Bank M&A could drive consolidation of Fund Finance supply.

SURVEY PARTICIPANT

The Haynes Boone Difference

The HB Fund Finance team is a global leader in fund finance, advising commercial and investment banks, sponsors, and funds across North America, Europe, Latin America and Asia. The team has been involved in transactions totaling over $100 billion in just the past two years, collaborating with both lenders and borrowers, including private credit providers and insurance companies, to structure innovative financing solutions.

Our firm was instrumental in developing the structure and documentation for the first fund finance structures in the late 1980s and continues to be a pioneer and innovator in the fund finance market. In 2024, our global 75-plus person team represented over 65 different domestic and international lenders and borrowers in structuring and documenting hundreds of new fund finance facilities.

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We are pleased to prepare this annual report for the fund finance industry. Please reach out with any questions or comments.

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At Haynes Boone, our teamwork culture is the touchstone for everything we do. In the same way that we have built the firm, our fund finance team has been built over more than 35 years, by sharing knowledge, deals and client relationships, driving our growth as a market leader across the globe. Our teammates apply an innovation mindset to handle every kind of fund finance transaction, from traditional subscription-secured facilities to NAV facilities, management fee lines and GP/LP loan structures to securitizations and other structured products.

ELLEN GIBSON MCGINNIS, Partner at Haynes Boone

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