

Asia-Pacific Fund Finance Symposium – A Ten-Point Summary

13 June 2018

On 13 June, Debevoise sponsored and moderated a panel at the Asia-Pacific Fund Finance Symposium, hosted by the Fund Finance Association in Hong Kong.

Below, we have summarised a few key topics discussed during what was an enlightening day for all those in attendance.

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- **The Asia-Pacific private fund market:** Asia-Pacific focused funds currently have assets-under-management of around \$1 trillion. The market continues to be buoyant for fundraising - in the Asia-Pacific region, fundraising reached around \$140 billion last year. Market indicators show that LPs are looking to commit, and GPs are looking to deploy, even more capital over the longer term.
- **Use of sub-lines in Asia:** Asian GPs are using facilities in more diverse ways, seeing the benefits that GPs in Europe and the U.S. have been getting from their sub-lines. Local fund sponsors are in the sub-line market as well as the global sponsors. Gaining a competitive advantage in auctions is important for GPs.
- **Rise of Asian investors:** There has been an increase in Asian-based pension plans, insurance companies and sovereign wealth funds investing in Asia-Pacific funds. Investor bases have evolved as wealth has been generated in the region. There has also been a development in SMA structures for some of the larger investors, making investment (and fund financing) structures more complex.
- **Open-ended funds in Asia:** Open-ended funds have started to be able to tap fund level financing in Asia.
- **Asian LPAs and other fund documents:** There has been a material evolution in the terms of LPAs and other fund documents in Asia to ensure fund documents do not preclude the ability to raise a sub-line. LPA debt limitations are also becoming more flexible.

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- **Borrowing base considerations in Asia:** As Asia-Pacific sub-lines get larger and need to be provided by multiple banks, a tension has developed for GPs to ensure each of the banks in the club approve the same investors for the purpose of the borrowing base. There is a risk for the GP of getting the “lowest common denominator”.
 - **NAV facilities in Asia:** Asian GPs are increasingly looking to do mature portfolio NAV-based, or hybrid NAV/capital call facilities. This is more common for credit, secondaries and infrastructure funds. It remains, however, a developing and evolving product in Asia.
 - **GP insight on LPA negotiation:** Asia-Pacific GPs are increasingly coordinating with banks up front to ensure their fund documents are sufficiently flexible for fund level financing. Sponsors are very aware, though, of the tension between bank-friendly terms and LP expectations.
 - **GP and Lender relationship:** GPs are increasingly focused on the identity of their banking group, as the size of their Asia-Pacific funds grow. Therefore, it is important commercially for sponsors to have a good relationship with both their agent and club banks.
 - **GP hedging needs:** The number of GPs with fund level hedging requirements in Asia is increasing. One reason for this is the increase in Asia-based GPs raising funds with a global investment remit.

Please do feel free to get in touch with the team if you have questions on anything discussed during the symposium.

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