

Fund Finance Conference

Report | **May 2026**



Introduction

The Loan Market Association (LMA) successfully hosted its inaugural independent Fund Finance Conference in London on 13 May 2026 under the theme of *“Shaping the Future of Fund Finance”*. The event brought together 500 senior leaders across the market.

The conference reflected a market that remains confident in its long-term trajectory, but increasingly focused on discipline, transparency and adaptation as it navigates a more complex operating environment. This report summarises the key themes and discussion points arising from the conference. Note that the conference was held under Chatham House rules.



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Politics, Power and the Global Business Landscape

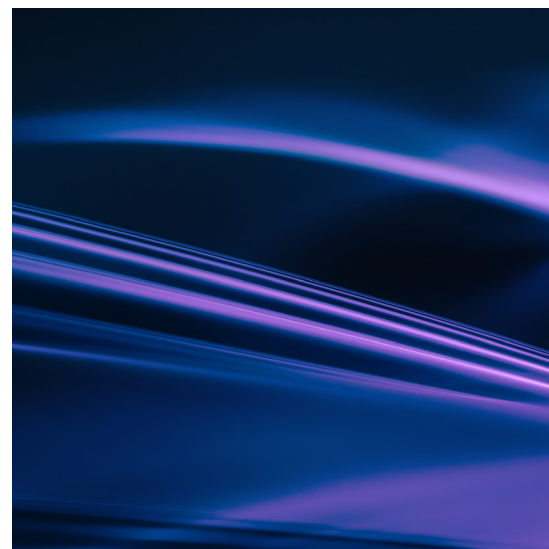
As we move deeper into 2026, the geopolitical forces shaping private financial markets are becoming more complex, more interconnected, and more consequential than ever. The market is operating in a world of trade-offs, persistent hedging, and uncertainty.

The relationship between the US and China is entering uncharted territory. Meanwhile, China's dominance in manufacturing (whereby it accounts for approximately 30% of global manufacturing production but only around 13% of global consumption) and its control of rare earth supply chains give it significant leverage, with implications for Europe and industries such as technology, defence

and electric car manufacturing, where policymakers are increasingly considering more protectionist responses.

The Middle East remains a region of considerable uncertainty, where tensions could disrupt energy, trade and investment flows and there are early signs of pressure on dollar dominance emerging at the margins.

The overarching theme is one of fragmentation replacing stability. For participants across private markets, the priority is to understand the geopolitical landscape, price risk accordingly, and prepare for a sustained period where there are consistent economic trade-offs.





The Fund Finance Intelligence Survey – Unpacking Key EMEA Trends

The Fund Finance Intelligence Survey, now in its second year, is an LMA initiative with The Drawdown aimed at improving transparency and understanding of the fund finance market. It brings together anonymised, aggregated insights from lenders, borrowers and advisers to provide a fact-based view of how the market operates and is evolving.

The findings from the 2026 Intelligence Survey ([here](#)) confirm a growing market but one driven by discipline.



Myth: NAV lending is high-risk and highly leveraged

84% of lenders reported typical starting LTVs of 20% or below for buyout NAV facilities, with the modal range at 11–15%. The picture is actually one of conservative, disciplined underwriting."



A growth story driven by new money:

The data paints a clear picture of market growth being driven through deployment of new capital across an expanding fund finance product set. 73% of lenders reported that new money transactions totalled more than \$500m in 2025, while 23% of lenders indicated that renewals accounted for 10% or less of committed deals. Borrowers continue to actively raise facilities, with 42% expecting further growth in NAV and 29% in GP financing.



NAV facilities – Conservative and core:

NAV lending continues to grow as a core, widely used product, particularly for add-on acquisitions and refinancing existing debt. Importantly, leverage remains conservative, with 84% of lenders of NAV facilities to PE buyout funds reporting typical starting LTVs of 20% or below.



Structural growth, not cyclical:

The market's expansion is structural rather than cyclical, with fund finance now being embedded from fund inception and spanning the full fund lifecycle. The product suite has broadened significantly, from subscription facilities and NAV facilities to bespoke GP financing solutions, collateralised fund obligations (CFOs), rated note feeders, securitisations and hybrid structures – with solutions tailored to different asset classes and evolving needs.



LP sentiment and transparency:

LP sentiment on fund-level leverage was identified as a key challenge by 54% of borrowers, alongside a difficult fundraising and exit environment. However, the conversation has evolved from whether leverage is being used to how it is being used. LPs expect transparency, with a focus on disclosure and the ability to assess its impact on returns.



Myth: LPs are uncomfortable with leverage

The conversation has matured – LPs aren't asking whether their GPs use leverage, but how. The focus has shifted to transparency and disclosure, not resistance."



Competition and discipline:

The number of active lenders has considerably increased, raising the question of whether competitive pressures could destabilise a market that has historically seen very few defaults. Whilst competition was identified as a key challenge by 57% of lenders, competition is generally viewed as beneficial – providing pricing benchmarks and market standards. The impact is mainly seen in the economics rather than in the underwriting or structuring – the distinction matters and the market has remained disciplined.



Documentation evolution:

As the market grows, documentation trends and processes from other markets are starting to influence fund finance terms. There is a greater focus on areas such as cash recycling, cash sweeps, portfolio management, valuation challenge rights, and cure plans for managed exits.



Outlook:

Regulatory developments, including CRD VI, remain an area of uncertainty, though partnership models, new entrants and securitisation structures are emerging as a response. Going forward, GPs that integrate financing strategies from inception will have a competitive edge, and banks, insurers and private credit providers that collaborate to provide capital and expertise will be best positioned to lead the more customised and complex transactions.



Regulatory Considerations Around Private Markets

Regulators are increasing their focus on private markets, driven by its growth and contribution to the economy. The emphasis is on maintaining market integrity and resilience while supporting the sector's role in providing long-term capital.



An engaged approach:

Supervision is becoming more proactive and engagement-led, with closer interaction between regulators and firms. This model seeks to identify risks earlier, support stronger governance and deliver more consistent outcomes across public and private markets.



Valuation, conflicts and systemic risk:

Valuation practices are in focus, with expectations around robust methodologies, use of independent third parties and clear triggers for revaluations. Conflicts of interest in private markets are also in focus, reflecting the complexity of structures and incentives in the market.

System-wide risk is receiving increased attention, including scenario-based stress testing to assess resilience under sustained market shocks and the potential for spillover effects across the financial system.



Liquidity, retailisation and investor education:

There is an inherent tension between the desire for greater liquidity in private assets and the fundamental characteristics of the asset class. Illiquidity is a defining feature of private markets – it is how borrowers access stable, long-term capital and how investors earn an illiquidity premium. Regulatory focus is on ensuring that product structures align with this characteristic and that investors clearly understand access limitations.



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Technology and innovation:

The use of emerging technologies, including AI and distributed ledger solutions, is being monitored through the lens of governance and control. Testing frameworks are being used to support innovation while managing operational and conduct risks.



Data and transparency:

Data is fundamentally important in addressing perceptions of opacity in private markets. Improved data collection is being prioritised by both regulators to support more effective risk monitoring, and by market participants to dispel current narratives. Industry engagement remains important in shaping approaches to data transparency and ensuring consistency across the market.



Key takeaway:

Regulators are focused on strengthening standards across governance, valuation and investor protection, while enhancing resilience and transparency as private markets continue to evolve.



LP Perspectives on Transparency, Engagement and Liquidity

LPs are not a homogenous group, but transparency, engagement and liquidity are increasingly central to discussions with LPs in private markets as fund structures grow more complex and the investor base continues to evolve.



Liquidity – understanding risk in an evolving investor landscape:

Liquidity can mean different things to different people. As the investor base has broadened from purely sophisticated institutional investors, to include family offices and wealth managers, and more recently to retail investors, there is a heightened focus on understanding what liquidity means, how risk is understood and how information is communicated. The LMA's focus on transparency and education was seen as particularly valuable in this context.



Continuation vehicles and other liquidity tools:

Whilst the use of continuation vehicles and other liquidity tools is not inherently new, the sophistication involved has grown significantly. The learning curve required to understand these products from an LP perspective has been underestimated, but it has created a valuable opportunity for deeper GP/LP engagement. Continuation vehicles, in particular, require early engagement for proper evaluation, with LPs emphasising the need for clear articulation of drivers, alignment and valuation approach to enable informed investor decision-making.



Fund-level leverage – transparency and understanding:

Whilst transparency has improved, with greater LPAC engagement and more reporting on fund-level activity, further progress is needed to bridge the gap between information provided and LP understanding. While leverage can serve useful purposes, it introduces risk, depending on how cross-collateralisation operates. Standardised disclosure and clarity around fee arrangements can support effective engagement.



The role of the LPAC:

Whilst the LPAC can be a powerful governance tool, its effectiveness depends on how it is administered. A "tick-box" LPAC adds limited value, whereas a well-governed LPAC can be a meaningful mechanism for understanding investor concerns and promoting transparency. The LPAC is not typically obliged to provide information to non-LPAC members and there is a question here about dissemination of key information – including how leverage is being used – to the broader investor base. Conflicts of interest within LPACs themselves also require careful management.



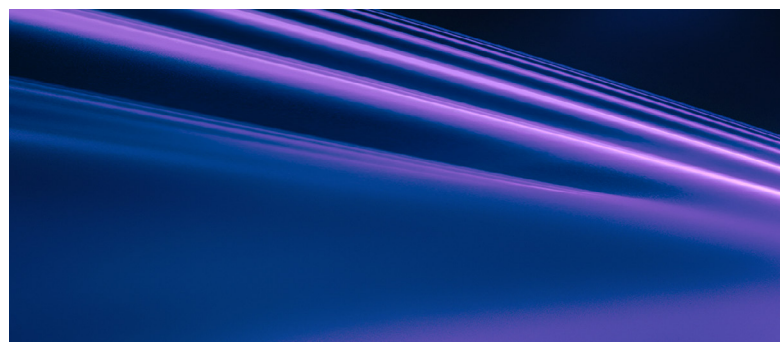
Bridging the gap – investor relations and communications:

Communication is only effective if the right information reaches the right people. There is more of a bridge needed between investor relations, fund finance / capital markets, legal, and investment teams to ensure communications are clear, open and transparent.



Going forward – curiosity and engagement:

The message was clear – engagement is essential to confidence in the market and LPs were encouraged to ask questions and build a culture of curiosity around fund finance products as the market continues to evolve in complexity.





Institutional Capital: Evolving Structures, Challenges and Opportunities

The increasing participation of institutional investors in fund finance has been one of the most significant trends in the market over the past decade. The continued demand reflects both the attractiveness of the asset class and the market's ability to evolve to meet the requirements of non-bank investors.



The appeal of fund finance to institutional capital:

Institutional demand for fund finance is expected to increase over the short to medium term. While NAV facilities and structured products are perceived as where institutional capital is most relevant, subscription financing is the core with strong demand, supported by its favourable risk-return profile, making it an effective cash replacement with favourable treatment under Solvency II for European insurance investors. Insurers, pension funds, reinsurers and smaller banks are allocating to fund finance through pooled vehicles across Europe. In the UK, expansion of the bulk purchase annuity market is expected to accelerate allocations into private assets, including fund finance.



Regulatory considerations:

These remain central, particularly for European insurers subject to Solvency II, where capital treatment is influencing product design and investment decisions. Although increasing scrutiny of private credit has not changed the appetite of institutional capital, subscription financing may benefit from a flight to quality. Asset owners must be able to explain the complexities of their fund finance investments to regulators across a diverse portfolio of alternatives, and the ability of asset managers to support investors in navigating those discussions will be an important factor in continued growth.



Innovation in structuring and access:

The market continues to adapt to institutional requirements, with increased prevalence of structured, bond-like formats with a focus on prepayment protections, use of ratings, and clear enforcement rights. For UK insurance companies operating under matching adjustment, cash flows must be fixed and assets must be rated under a recognised methodology. CFOs have emerged as a significant innovation, with current product development focusing on exploring UK matching adjustment eligibility (read more [here](#)). However, innovation brings complexity and market participants must assess whether additional structuring is solving a genuine problem or introducing new risk.



Looking ahead:

There is optimism about the future of institutional capital in fund finance. Greater standardisation around reporting would help investors compare opportunities in and outside of fund finance and it is important to involve institutional capital early in the structuring process. While investor education is largely mature, that now needs to pivot towards GPs and banks as to the reliability and long-term nature of institutional capital, which can be proved through operational capability and consistent delivery. Institutional capital is not a temporary phenomenon but a permanent and important part of the fund finance architecture.



CFOs have emerged as a significant innovation, with current product development focusing on exploring UK matching adjustment eligibility”



Innovations in Liquidity: Tools for a Shifting Market

Liquidity has become a defining theme across private markets. It is no longer a response to short-term market stress, but an increasingly important part of how portfolios are managed across the fund lifecycle.



A strategic lifecycle issue:

In a constrained exit environment, GPs are looking beyond traditional exit timelines and using liquidity solutions more strategically. The focus is not only on returning capital, but on managing DPI expectations, preserving asset value and maintaining investor confidence. As a result, liquidity management is becoming a differentiator, with greater flexibility being built into fund structures from the outset.

This is not just a GP story. LPs are also managing liquidity more actively, whether through secondary sales, refinancing portions of their portfolios or seeking preferred equity-style solutions. Tools are being used not only to generate cash, but to rebalance portfolios, manage legacy exposures and create capacity for new commitments.



A broad liquidity toolkit:

The liquidity toolkit has expanded significantly, including secondary sales, managed fund solutions, preferred equity, NAV facilities, continuation vehicles and CFOs. Each tool has distinct uses, and they may be used in combination. That makes the market fundamentally bespoke and based on what the GP or LP is trying to achieve. Larger GPs are developing dedicated capital markets and fund management capabilities to assess financing options across funds and strategies – this is improving execution, strengthening lender engagement and comparability, and communication with LPs.



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Risks, governance and market tensions:

There is a distinction between using liquidity tools responsibly and using them without sufficient transparency. Earlier concerns around NAV financing have reinforced the need for early engagement and clear articulation of purpose, structure and risk. That focus on transparency extends to continuation vehicles and other secondary solutions. CVs can provide liquidity for LPs while allowing GPs to retain exposure to assets with further upside, but only where the rationale is clear and conflicts are addressed. Alignment could come through GP commitments, flagship fund participation or other evidence of meaningful “skin in the game”.

For lenders, the market is increasingly nuanced. Bank and institutional capital offer complementary solutions with varying strengths across duration, flexibility and return profiles. Structuring decisions are driven by asset quality, cashflow visibility and investor dynamics, with downside protection closely linked to transparency and ongoing engagement.

Valuation remains a critical area of focus, with scrutiny increasingly centred on the credibility of valuations, the quality of underlying information and the ability to cross-check marks against comparable exposure or direct knowledge of assets. The debate is less about whether NAV-based tools should exist and more about how they are supported by discipline, transparency and credible data.



What's next – normalisation and the next wave of innovation:

Liquidity solutions are now a permanent feature of private markets rather than a temporary response to difficult conditions. The market is expected to continue evolving with greater investor optionality, increased convergence of products and wider acceptance of continuation vehicles. The GPs best placed to benefit will be those that can match the right tool to the right objective, engage early with LPs, provide lenders with credible information and demonstrate that liquidity is being used to manage portfolios more effectively.



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The Digital Shift: The Role of Technology in Fund Finance

Technology is reshaping every stage of the fund finance lifecycle, across origination, execution, operations and investor transparency. The focus is not on replacing human judgement, but on enhancing speed, accuracy and scalability while supporting more data-driven decision-making across GPs, LPs and lenders.

Origination and execution:

Lenders are integrating multiple internal systems into unified client management platforms to enhance client insights and engagement, while borrowers are leveraging proprietary datasets tracking thousands of funds and underlying companies to support faster, bottom-up underwriting. Digital platforms enabling standardised lender interaction and comparison of terms are gaining traction, improving efficiency and reducing operational risk. These tools are not limited to vanilla products – machine learning models are now capable of stress-testing NAV facilities.

Legal processes are also evolving, with AI increasingly used for document comparison, analysing leverage provisions against facility structures and reporting. These applications are reducing execution timelines while preserving the central role of professional judgment.

Operations and the data challenge:

Operational inefficiencies remain a key constraint, particularly where reporting is still fragmented across email and manual processes. The development of client-facing portals and centralised data environments is beginning to address this, enabling more consistent tracking of facility metrics and creating a foundation for advanced analytics.

However, data fragmentation persists. Limited interoperability between systems – especially in multi-lender transactions – continues to hinder efficiency. There is growing recognition of the need for common data standards and greater interoperability between platforms.



The path ahead will require continued investment in technology, greater collaboration on data standards, thoughtful approaches to confidentiality and a sustained commitment to keep the human element at the centre of client relationships."



Syndication, transparency and confidentiality:

Technology presents clear opportunities to streamline syndication processes, particularly through improved data sharing on facility usage and participant positions. At the same time, LP expectations around transparency are increasing, with demand building for more timely and granular visibility into fund-level leverage. These developments must be balanced against confidentiality considerations. The use of AI in particular requires robust governance, including provider due diligence, internal controls and explicit client consent.



What's next?

The pace and pragmatism of technological adoption in fund finance is growing in every area of the market. While significant progress has been made, the market is at an early stage of realising its full potential. Near-term priorities include strengthening cybersecurity and fraud prevention frameworks alongside continued investment in digital capabilities. The path ahead will require continued investment in technology, greater collaboration on data standards, thoughtful approaches to confidentiality and a sustained commitment to keep the human element at the centre of client relationships.



Past as Prologue: The Future of Fund Finance

The next phase of fund finance will be shaped by the same forces that drove its expansion – market cycles, regulatory scrutiny and innovation – now interacting in a more complex and constrained environment.



The scale of market expansion and what drives the next phase:

The market has grown from a niche area of lending into a global industry exceeding \$1 trillion in scale. Originally this was driven by the rapid expansion of subscription facilities alongside the growth of private capital. In a more challenging fundraising environment, momentum is increasingly supported by product diversification and a shift towards a solutions-based rather than product-based approach tailored to borrowers' broader liquidity and portfolio management needs.



Standardisation:

The LMA and ILPA have been instrumental in driving the standardisation of fund finance documentation and promoting greater transparency across transactions. Their efforts have helped to reduce friction in documentation processes, improve comparability of terms across the market and support the growth of a broader and more diverse lender base.



The evolving lender base and potential constraints ahead:

Regulatory focus on bank exposure to private markets is intensifying, with potential implications for capital treatment and concentration limits. While private credit has expanded to complement bank lending, it too faces increasing scrutiny which could potentially limit its capacity to fill the gaps left by banks. Insurance capital is expected to play an increasingly important role, providing a complementary source of funding that helps to maintain liquidity in the market as the traditional lender base evolves, with term loan tranches increasingly becoming prevalent on transactions as a means of bringing in insurance capital.



The shifting investor base:

The investor landscape is becoming more diverse in private markets, with growing participation from high-net-worth, sovereign and retail capital entering asset classes that were historically the preserve of institutional investors. There is significant variation between different lenders in respect of their appetite for different types of investors and their treatment in the borrowing base, reinforcing the importance of market engagement and lender selection when structuring new facilities.



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Outlook:

The future of fund finance over the next 20 years will not be defined by a single factor, but by the interplay of regulatory change, product innovation, technological adoption and the continuing evolution of both the investor base and potential lenders. The market's ability to adapt to these converging forces will determine the pace and shape of its next phase of growth.



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Conclusion

This is a market that has grown from a specialist niche to a \$1 trillion global industry in two decades – but through that growth it has demonstrated resilience, adaptability and discipline through multiple cycles. The next phase will test all three. The tools are more varied, the participants more diverse, the regulatory environment more engaged and the technology more powerful.

What is required is a collective endeavour to ensure the market continues to grow in a sustainable manner – through best practices, communicating with investors, engaging with regulators and building the shared infrastructure that allows the market to continue growing sustainably. The conversations at this year's conference suggested that the market understands this. The LMA looks forward to continued collaboration with the industry to shape the future of fund finance.

LMA

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