

FUNDFINANCE^{COM}

Next Level

NET ASSET VALUE FACILITIES

MAYER | BROWN

AGENDA

1. Hybrid Credit Facilities
2. Levered Feeders and Investor Loan Programs
3. Back-Leverage and ECLs
4. Evolving NAV Structures



01

HYBRID CREDIT FACILITIES

GENERAL OVERVIEW

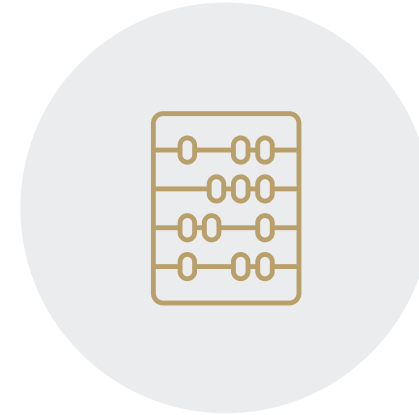


Hybrid Borrowing Bases

SCF borrowing base (advancing against uncalled capital commitments of certain eligible investors)

PLUS

NAV borrowing base (advancing against net asset value of certain eligible investments)



Hybrid Collateral

Pledge of customary SCF collateral (capital commitments, call rights and capital contribution account collateral)

PLUS

Pledge of agreed upon NAV collateral (i.e., distribution accounts only or full equity pledge etc.)

USE CASES FOR HYBRID FACILITIES



“Aftercare” Approach: Used for Funds that are post-commitment period but still need access to leverage to support seasoned investment portfolio.



“SCF Plus” Approach: Used for Funds that are still fundraising and may have concentrated LP pools.

HYBRID STRUCTURES

TWO-TRANCHE HYBRID

SCF Tranche

Availability under Facility
tied to SCF Borrowing Base

NAV Tranche

Availability under Facility
tied to NAV Borrowing Base

Borrower maintains
flexibility to allocate
borrowings across tranches

FLIP-THE-BOX HYBRID

SCF Tranche

Availability under Facility
tied to SCF Borrowing Base

NAV Tranche

Availability under Facility
tied to NAV Borrowing Base

Borrower utilizes SCF
Tranche early-stage and
then Facility is converted to
NAV Facility once uncalled
capital is depleted

SUBSCRIPTION+ / NAV+ HYBRID

Single Tranche

Availability under Facility
tied to either SCF
Borrowing Base or NAV
Borrowing Base

Borrower utilizes one
borrowing base but may
receive higher advance
rates than otherwise
available

BLENDED HYBRID

Single Tranche

Availability tied to both SCF
Collateral and NAV
Collateral

Grid-based pricing
depending on portion of
borrowing base attributable
to SCF Collateral and NAV
Collateral



02

LEVERED FEEDERS AND INVESTOR LOAN PROGRAMS

2026 OUTLOOK: THE RISE OF LEVERED STRUCTURES



Trend

A meaningful expansion in structures allowing LPs to leverage alternative asset exposure is expected in 2026.



Drivers

LPs: Focus on liquidity, capital efficiency, and balance-sheet flexibility.

Sponsors: Facilitating solutions as a fundraising differentiator in a competitive environment.



Focus Areas

Two trending structures are Levered Feeders and Sponsor-Backed Investor Loan Programs.

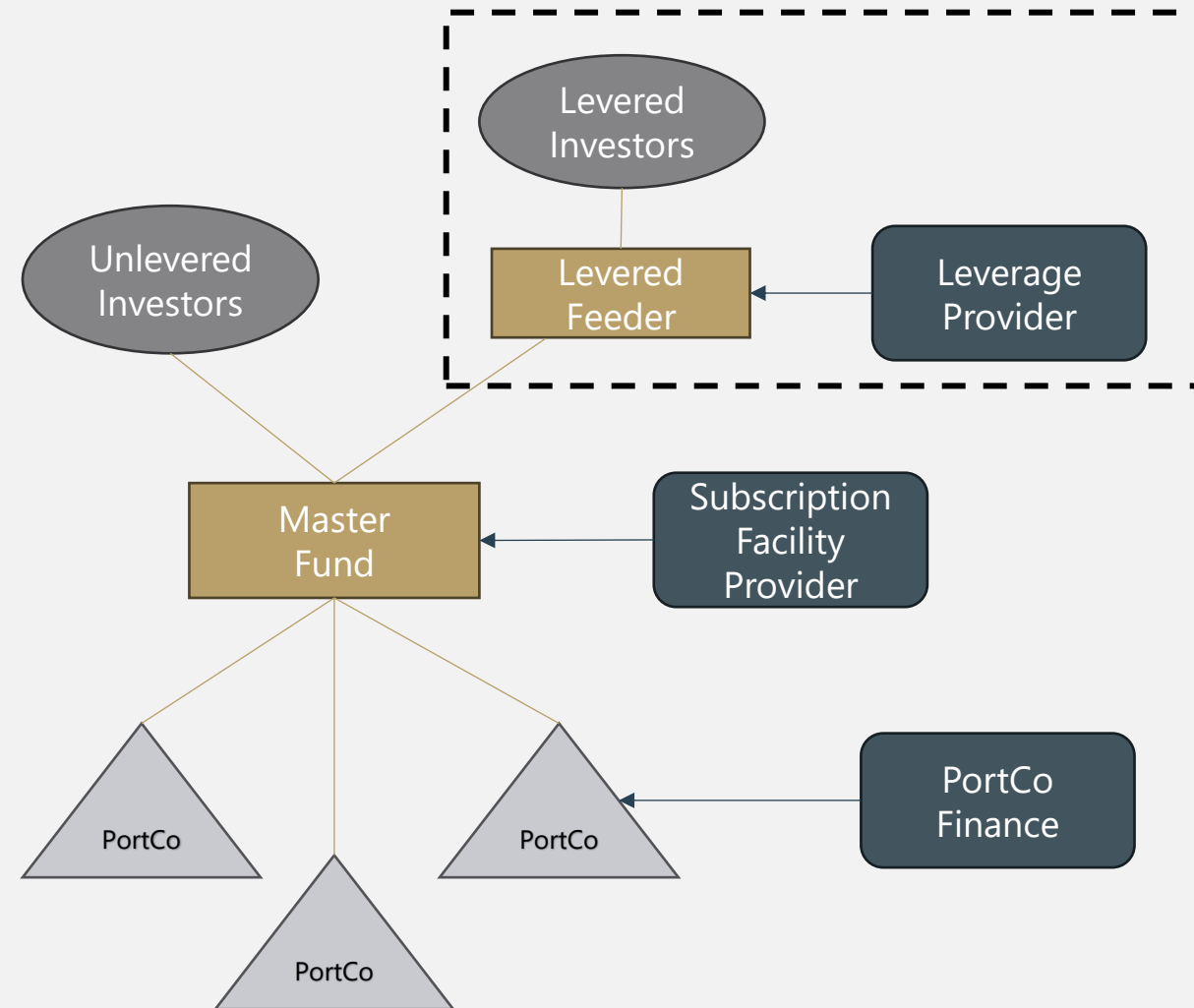
LEVERED FEEDERS (SINGLE-FUND SOLUTION)

Mechanism: Investors seeking leverage utilize a specific feeder vehicle to incur debt, rather than the master fund or the investor directly.

Risk Isolation: Debt and lender protections are contained at the feeder level, structurally insulating unlevered investors in the master fund.

- **Benefits For GPs:** Avoids fund-wide leverage complexity while meeting investor demand.
- **Benefits For LPs:** Provides access to sponsor scale and relationships, avoiding the need for bespoke NAV facilities.

Market Impact: Subscription lenders may need to diligence these arrangements when constructing borrowing bases.



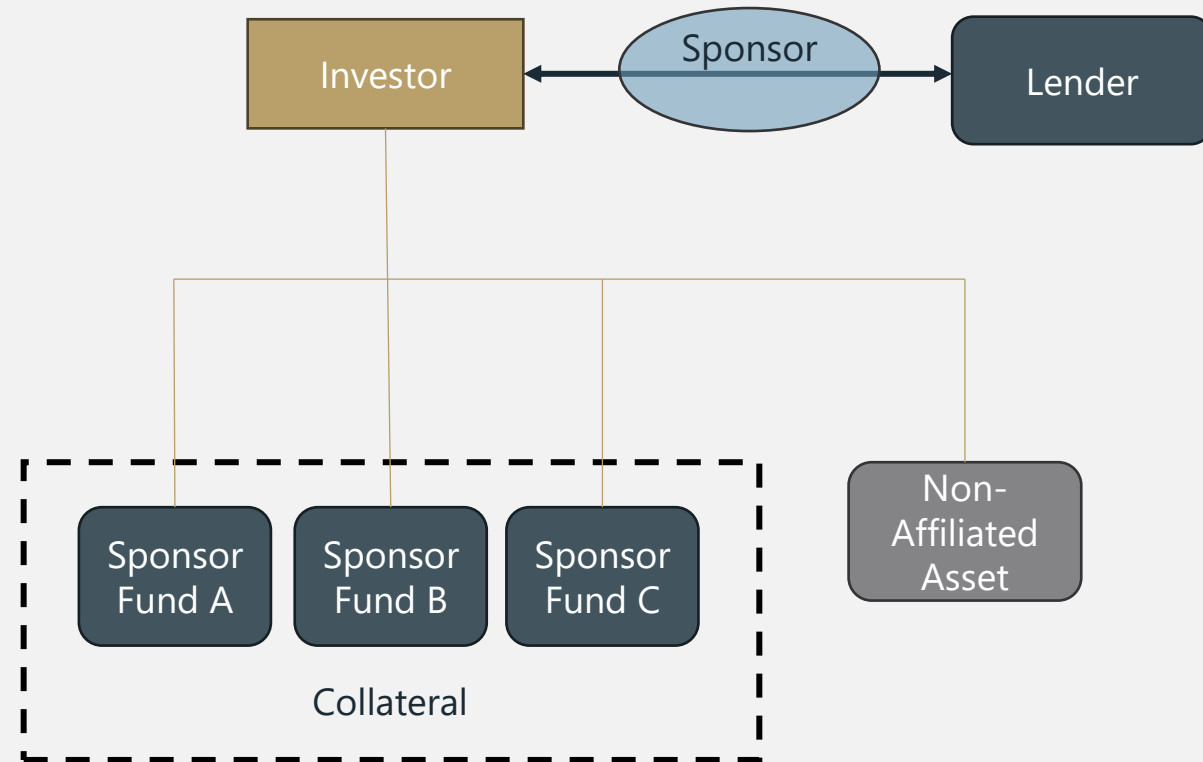
INVESTOR LOAN PROGRAMS (MULTI-FUND SOLUTION)

Overview: Leverage applied across a broader alternatives portfolio rather than single fund exposure.

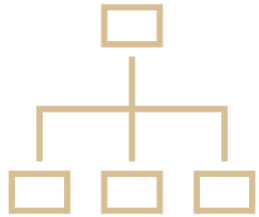
The Solution: Lenders work directly with sponsors to provide standardized, scalable leverage to electing investors across the Investor's pool of equity interests that are managed by the sponsor.

Sponsor Role: The sponsor centralizes reporting, administers cash sweeps, and streamlines consents, removing operational friction for investors.

Strategic Advantage: Allows sponsors to offer portfolio-level leverage as a core value proposition, strengthening LP relationships.



TAKEAWAY



Levered Feeders

Address leverage demand for multiple electing investors with respect to a **single-fund**



Investor Loan Programs

Address leverage demand for individual investors for their **portfolio of sponsor affiliated funds**



03

BACK-LEVERAGE AND ECLS

BACK-LEVERAGE OVERVIEW

- These facilities provide Funds the opportunity to lever the value of their investments simultaneous with or immediately after acquisition or origination. They “look down” to the underlying assets rather than “up” to the capital calls.
- Common examples include SPV warehouse financings and term CLOs, which may be revolving or static
- Real Estate investments may be backed by other structures such as loan-on-loan facilities and repo facilities, which are generally specific to a single investment
- A bankruptcy-remote SPV structure may allow the Fund to achieve a higher advance rate on the assets than would be obtained if the Fund were the borrower under the facility. The Fund would need to form SPV subsidiaries that can incur debt and Funds must be able to sell their assets to the SPV.
- Funds may also use back-leverage as a form of acquisition financing for single-use cases but backed by fund assets beyond the acquired asset.
- A Fund may also use back-leverage to purchase assets that it can contribute into another form of financing.

ECL BACK-LEVERAGE

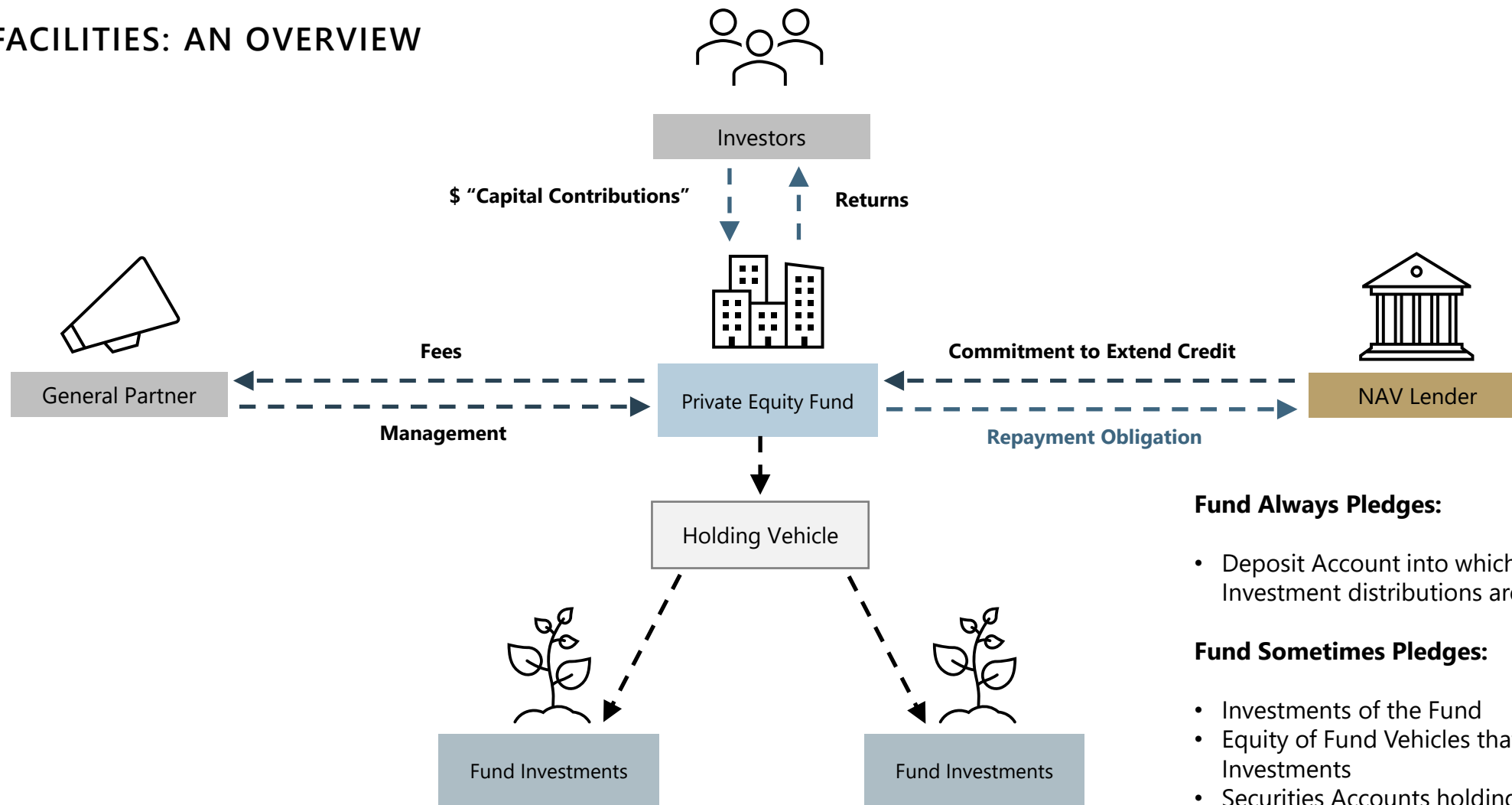
- Increasing use for single-asset or highly concentrated pools
- Unlike asset-backed back-leverage, these typically rely on Fund-level support and are considered Fund Finance products
- ECLs (Equity Commitment Letters) are increasingly replacing Fund-level guarantees for tax and/or debt limitation reasons
- Often underwritten like a “hybrid” with a greater emphasis on the asset (versus the uncalled capital)
- ECLs provided by Funds should be structured by Fund Finance professionals to avoid common pitfalls, such as:
 - **Capital Commitments:** Missing standard capital commitment protections (e.g., no setoff, counterclaim, or defense)
 - **Overcalls:** Restrictive provisions only allowing calls up to pro rata share
 - **Fund Structures:** Not appreciating fund structuring, such as not properly accounting for or structuring covenants to apply to AIVs and Blockers
 - **Existing SCF Conflicts:** SCF covenants may limit the ability to reserve uncalled capital



04

EVOLVING NAV STRUCTURES

NAV FACILITIES: AN OVERVIEW



Fund Always Pledges:

- Deposit Account into which Investment distributions are funded

Fund Sometimes Pledges:

- Investments of the Fund
- Equity of Fund Vehicles that Hold Investments
- Securities Accounts holding Investments of the Fund

EVOLVING STRUCTURES

- Unlike the SCF market where facility structures are relatively standard (II, II/DI, flat advance rate), the NAV market structures vary considerably, including with respect to the following key characteristics:
 - Advance Rate
 - Concentration
 - Pricing
 - Security Structure / Security Light / Consents
 - Tenor
 - Uncalled Capital Support
 - Liquidating Distribution Agreements
 - Manager Letter Agreements

The logo consists of the words "MAYER" and "BROWN" in a white, uppercase, sans-serif font, separated by a vertical bar. The background is a dark, abstract pattern of overlapping, tilted rectangular shapes in shades of blue and brown, creating a grid-like effect.

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