

In The Know Leveraged Finance Newsletter

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Fund Finance Market Update

Overview

The global fund finance market is growing rapidly, with recent estimates suggesting that the market will grow to over USD 2.5 trillion by 2030, from a base of USD 1.2 trillion in 2024. This expanding market is providing investment funds with a range of fund financing solutions, some of which may be complementary and relevant to the leveraged finance market. Historically, the fund finance market has been dominated by subscription credit facilities, a product designed to bridge capital calls by investment funds. However fund managers are increasingly demanding a wider range of fund finance solutions in order to manage liquidity, optimize portfolio performance and navigate a challenging exit environment. The fund finance market has developed a range of products - most notably net asset value (NAV) facilities, hybrid facilities and general partner (GP) and management fee facilities - to meet this demand and the wider liquidity needs of GPs and investment fund managers.

Against this backdrop, the Fund Finance Association held its 7th Annual Asia Pacific Fund Finance Symposium in Hong Kong on 6 November 2025. The symposium brought together leading financial institutions, investment funds and advisors for a day of panel discussions, presentations and networking, with a theme of "In the Pursuit of Growth". Baker McKenzie was a



platinum sponsor of the symposium and Ian Roebuck, Chair of Baker McKenzie's fund finance practice in Asia, participated in a panel discussion on unlocking growth in country-focused Asia funds.

Key takeaways from the Asia Pacific Fund Finance Symposium

NAV facilities

The use of NAV facilities in the US and European fund finance markets has increased rapidly over the last two to four years. However, until this year, the use of NAV facilities in the Asia market had been comparatively low. That is now changing as market awareness of the product increases and limited partners become more comfortable with the use of NAV facilities by investment funds.

By way of background, fund managers typically use NAV facilities toward the second half of a fund's life cycle, once the capital commitments from investors in the fund have been drawn to make investments. These facilities are used for liquidity and other purposes, for example, the financing of follow-on acquisitions, developing and increasing the value of existing investments, and, in some cases, financing distributions. Availability under a NAV facility is typically linked to the net asset value of eligible portfolio investments and, while security packages vary, the facility is often secured against a pool of the fund's underlying investments, as well as the distributions and cashflows from those investments.

The growth in the NAV facility market is drawing increased attention from lenders, with more participants entering the market in Asia. This has led to pricing pressure, as well as deal terms, particularly loan-to-value thresholds, becoming more favorable to borrowers. Despite this trend, the valuation of investments included in NAV facilities remains a key discussion point between lenders and investment funds, with lenders focusing on the accuracy of these valuations. Additionally, lenders are also particularly attentive to the integrity of cashflow models and the robustness of stress testing for cashflows generated by investments within NAV facilities.

Notwithstanding the increased use of NAV facilities in Asia in 2025, some features of the Asia market make NAV facilities more challenging to implement compared to Europe and the US. These features include the fragmented nature of the market in Asia and potential limitations on capital repatriation. As a result, and despite the increased competition in the market, the volume, size and terms of NAV facilities in Asia are likely to remain more conservative relative to Europe and the US.

Demand for subscription credit facilities remains resilient

Subscription credit facilities remain the mainstay of the fund finance market. Demand continues to be resilient, notwithstanding a challenging fund raising environment.

Subscription credit facilities are commonly put in place by investment funds at or around the same time as their initial fundraising for the purposes of, amongst other things, bridging the time period between the investment fund making



capital calls to investors and the funding of investments. The facility will typically be sized by reference to a borrowing base of included investors, with security granted over the right to make capital calls to the investors in the fund and over the bank account into which those capital calls are paid.

One notable trend in 2025 was the demand for new subscription credit facilities to separately managed account (SMA) funds, reflecting a general uptick in the formation of SMA funds in Asia to cater for the specific needs of particular investors. In addition, lenders also reported an increase in extensions to existing facilities and refinancing of existing facilities to take advantage of the current lower pricing in the market.

Asia remains a more tightly priced market for subscription credit facilities compared to the US and European markets. This difference in pricing continues to be attractive to investment funds and global fund managers seeking to raise subscription credit facilities in the Asia markets.

Fund raising and changing investor base

While fund raising in Asia remained subdued in 2025, and deal activity and exits remained below 2021 highs, market participants are cautiously optimistic, with an expectation that fund raising will gain momentum in 2026 and further improve between 2027 and 2029, particularly for Asia home-grown funds. In addition, there are signs that exit conditions are easing and exit activity, which is crucial to fund distributions and the recycling of capital for new fund raising, is picking up, as seen by an uptick toward the end of 2025.

In terms of fund strategies, private credit forms a significant part of current and anticipated future fund raising, with investors expecting the robust increase in private credit activity in Asia Pacific in 2025 to continue. In addition, private equity and infrastructure strategies remain common, with strong interest in data centers and logistics.

One notable trend is a broadening of the investor base, with fund managers increasingly targeting more family offices and high-net-worth individuals when fund raising and the emergence of African and Latin American pension funds as investors.

Regional strategies, strong growth in Japan and India and the rise of private credit

The fund finance landscape in Asia is evolving from a market primarily focused on the key fund management centers of Hong Kong and Singapore to a more regional market, with new fund centers such as Gujarat International Finance Tec-City ("**GIFT City**") in India becoming increasingly relevant. Investors are pursuing more regional (rather than country-specific) strategies across a number of jurisdictions to generate returns and manage country and geopolitical risk.

Japan has witnessed a surge in M&A activity over the last 12-24 months, with Japanese companies becoming increasingly open to private equity investment. Fund raising has been strong and capital has been reallocated to Japan from other parts of Asia that have not experienced comparable growth. Historically, the use of fund finance products by Japanese funds has been limited due to restrictions on borrowings in fund documents and certain structuring and tax constraints. However, interest in fund finance products is increasing. In 2025, the Japanese Ministry of Economy, Trade and Industry issued a revised model limited partnership agreement, which, for the first time, explicitly permits fund level borrowings and security over capital call rights and collateral accounts. This development has been seen in the market as a significant move that may help to kick-start the fund finance market in Japan.

The Indian economy is one of the fastest-growing in Asia and continues to attract significant interest from investors from international and regional funds. While the fund finance market in GIFT City remains in its infancy, there is growing interest in the provision of subscription credit facilities and other fund finance products to GIFT City-domiciled funds.

Outside of Japan and India, there are signs of a rebound in activity and renewed confidence in China, with a more buoyant IPO market enhancing exit opportunities for existing investments and signs of an increase in private equity deal volume. In addition, Australia continues to attract interest from international

investors and has a strong and stable domestic market. Southeast Asia also forms an increasing part of investors' regional strategies, given the strong growth potential of the ASEAN markets.

Bridging capital markets and fund finance

There is a growing focus in the US and European fund finance markets on the securitization of fund finance products, as lenders move to a distributions model and manage regulatory capital requirements. The use of securitization structures is likely to attract the attention of investors who would not otherwise have exposure to the fund finance market and increase liquidity in the market generally. However, the trend towards securitization has not yet materialized in Asia in any significant respect, with Asia largely remaining a relationship-led market.

Ratings are also becoming increasingly relevant to the fund finance market, as lenders look to manage regulatory capital requirements for unrated exposures and more non-bank institutional capital lenders, who typically require a rating, enter the fund finance market.

Fitch, KBRA, Moody's and S&P have all now published rating methodologies for subscription credit facilities and/or investment fund debt rating methodologies. Asia still lags behind the US and Europe in terms of ratings of fund finance loans, but this is expected to change over time as the market becomes more familiar with rating requirements.

Looking ahead

The outlook for the Asia fund finance market in 2026 is positive. Fund raising is expected to increase, which is likely to drive demand for new subscription credit facilities. At the same time, the increased demand for NAV facilities seen in 2025 is anticipated to continue, with market participants predicting significant growth in 2026. The increasing diversification of investor bases and emphasis on ratings seen in 2025 is also expected to continue. Overall, it is expected that the fund finance market and products offered by lenders will continue to evolve to meet the increasingly complex needs of fund managers.

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