



Introduction to Net Asset Value (NAV) lending

May 2025

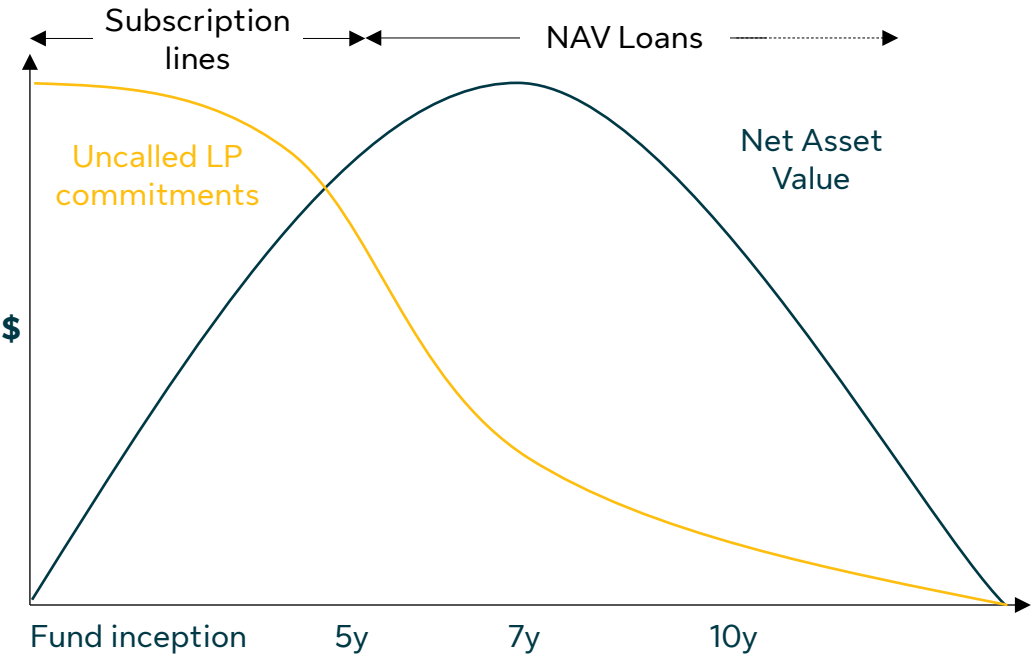
SLC | Fixed
Income



Net Asset Value loans, also referred to as NAV loans, are an emerging and fast-growing financing solution among fund finance tools that help asset managers address various capital needs

NAV Loans in the Fund Life Cycle

NAV loans are more commonly placed for later life funds when uncalled commitments are too low to enable subscription lines¹



¹ Line charts are illustrative.
SLC MANAGEMENT | SLC FIXED INCOME

Types of NAV Loans

	Single-Fund NAV	Multi-Fund NAV
Borrower	Single PE Fund	Secondaries PE Fund
Underlying assets	Portfolio Companies	LP interests in PE funds
Attributes	<ul style="list-style-type: none">• Collateral typically contains 5-20+ assets which are PE portfolio companies• Typically, lower LTV (10%-30%) to compensate for higher concentration and lower liquidity	<ul style="list-style-type: none">• Collateral may look through to dozens, hundreds or thousands of companies• Steadier stream of cash flows due to portfolio & vintage diversification, enabling higher LTV (35%-50%)

NAV loans are “look-down” facilities that are secured by assets underlying a fund, in contrast to traditional fund finance solutions such as subscription facilities and GP Financing


The Fund Finance Ecosystem

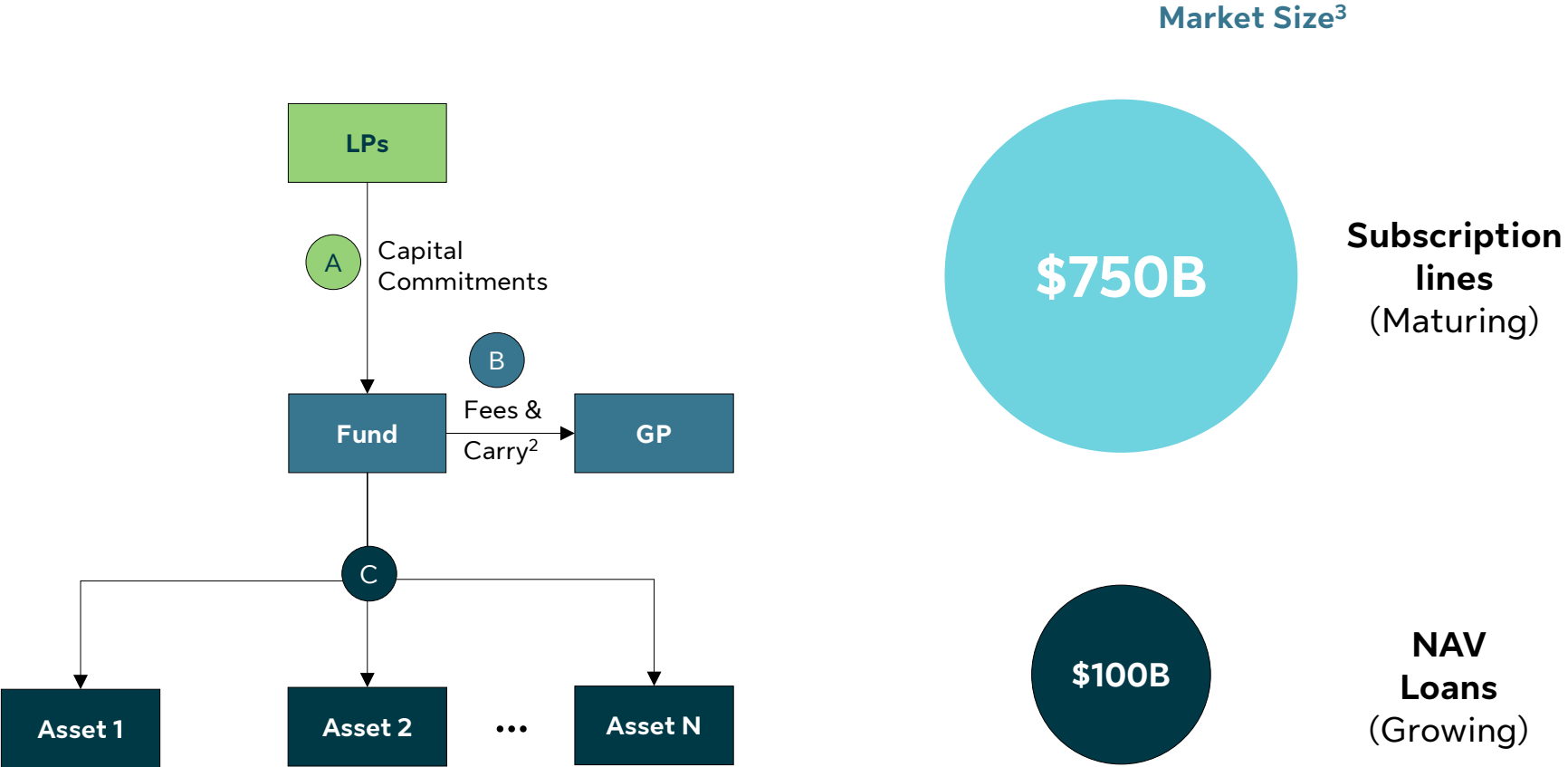
- A

Subscription Lines
Used for capital call management, return enhancement.
- B

GP Financing
Used for corporate purposes, succession planning. Alternative to GP stake sale.
- C

NAV Loans
Used for LP distributions, portfolio investments, debt management. Alternative to secondaries sales. Accretive to returns.

 Indicates type of security¹

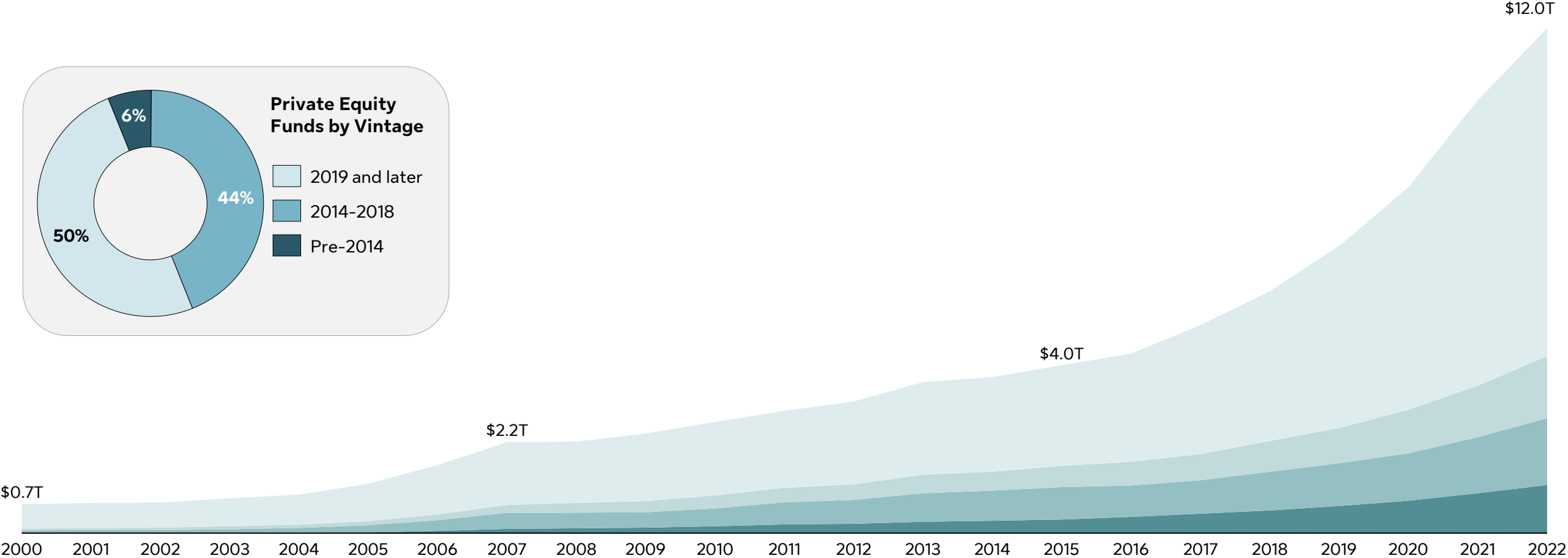
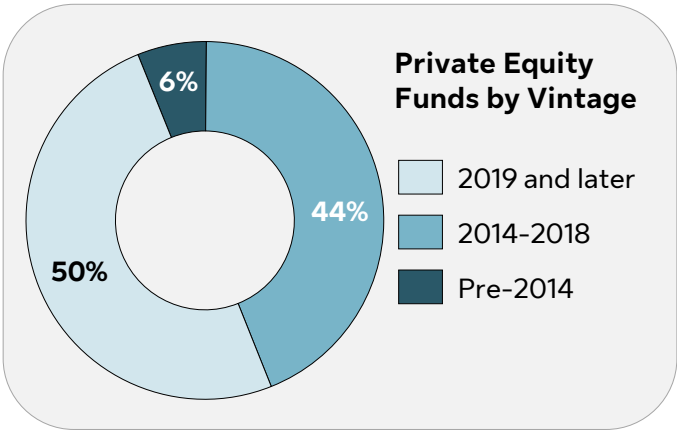


For illustrative purposes only. ¹ Security packages for NAV loans can vary. They may include equity of the fund, at times some or all of topco shares (in the case of Single-Fund NAV), shares of the GP, or be effectively unsecured. ² In addition to fees and carry, the security package may also include the GP balance sheet. ³ Private Equity International (Dec 2023).

The rise in NAV lending has been driven by various factors including the rapid growth in private capital, which has laid the foundation for significant opportunities in fund finance solutions

Global Private Capital by Assets Under Management
(\$ Trillion)

- PRIVATE EQUITY
- REAL ESTATE
- PRIVATE DEBT
- INFRASTRUCTURE



Source: Preqin, as of June 2023. To avoid double counting, fund of funds and secondaries are excluded.

The NAV financing market is expected to grow very rapidly, by one estimate to \$700B by 2030

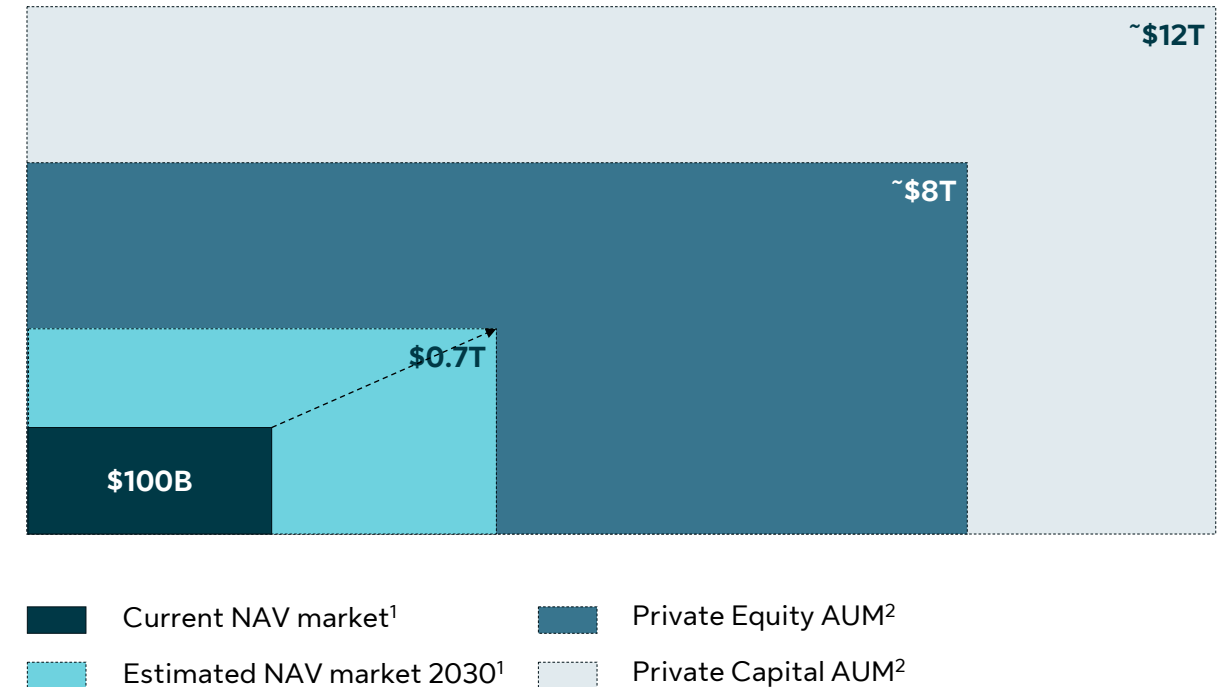
The Market Opportunity

Growth Drivers

The growth of NAV loans has been driven by:

- The rising cost of capital and necessity for sponsors to optimize their cost of debt
- Challenging M&A environment which has delayed private equity exits, creating the need for additional portfolio funding and LP liquidity solutions
- Changes to NAV loan structures that have made the facilities more appealing to institutional investors
- Increasingly rated facilities, expanding the lender base for these products

The Market Opportunity for NAV Loans



For illustrative purposes only. ¹ Private Equity International (Dec 2023). ² Preqin, as of June 2023.

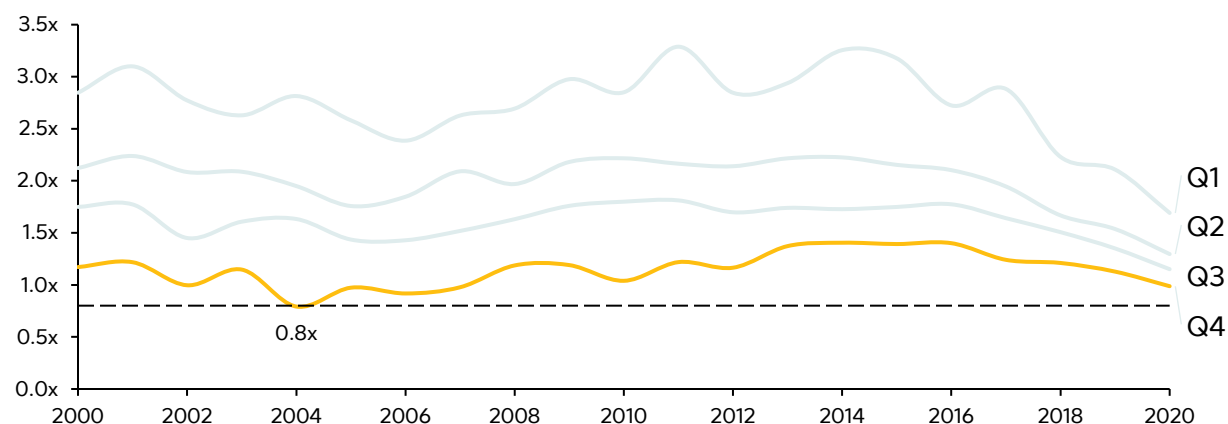
The majority of private equity funds have returned more than their invested capital

How Have Private Equity Funds Performed Historically?

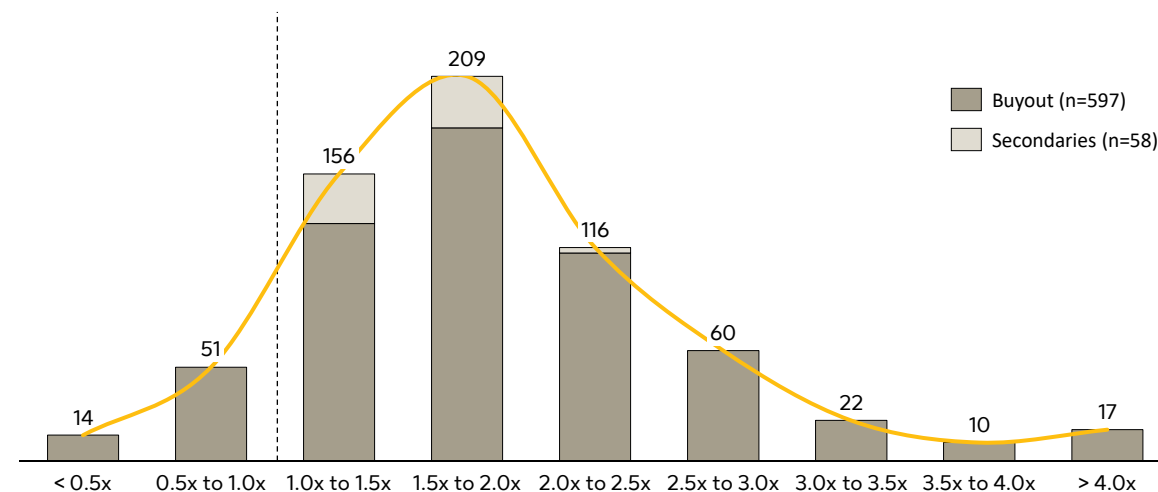
- Historically, only 2% of North American and European buyout funds¹ realized a net MOIC of < 0.5x; ~8% realized a net MOIC of $\geq 0.5x$ and <1.0x
- The average bottom quartile private equity fund returned 0.8x in the worst performing vintage of the past 2+ decades
- Average PE fund performances imply high collateral coverage over a well-structured and low-LTV NAV loan through the life of the facility

Average Fund Returns by Vintage
By Preqin Quartile Ranking²

Mean Net MOIC



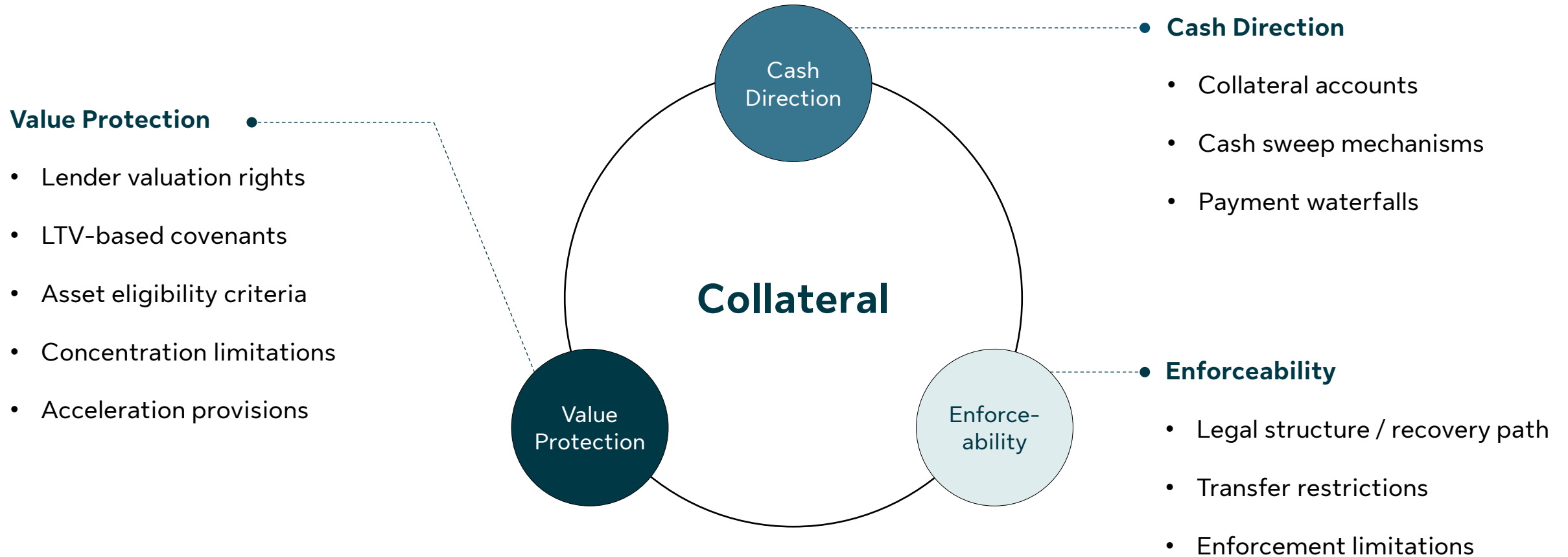
Realized Net Multiples
By Number of Liquidated Funds³ (n=655)



Source: SLC Analysis. Past performance is not indicative of future results. ¹ Preqin fund data for closed-end commingled North American and European Buyout Funds including vintages from 2000 to 2020. ² Multiple of Invested Capital. ³ Same basis as footnote 1, also includes Secondaries.

Deal terms and structure are of vital importance in the protection of collateral and direction of cash flows in NAV loans

What Are Structural And Legal Considerations?



For illustrative purposes only.

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