Featured

Asia-Pacific is a promising market for fund finance

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Asia-Pacific private equity fundraising fell to roughly $58 billion in 2025, the lowest level seen in over a decade, per Bain & Company, with the region's share of global fundraising falling to just about 5 percent.

In a year during which fundraising numbers fell, fund finance played a different tune – 59 percent of fund finance in the region was in the form of new facilities rather than extensions or amendments, in transactions advised on by global law firm Mourant.

The gap between a shrinking fundraising market and a busier fund financing one is not a contradiction. While fundraising is slow due to greater macroeconomic uncertainty, the region is also seeing a tougher exit environment and increasingly impatient LPs.

"The best fund finance transactions solve a timing issue, not a performance issue," says Danielle Roman, Hong Kong-based managing partner at Mourant. "The common thread is GPs looking to preserve optionality, whether that means financing further value creation, avoiding a forced sale or allowing the manager to choose a better time and route to exit."

Daniel Toblib, head of fund finance origination APAC at Macquarie Bank, says there's been "a significant increase in demand from both domestic and international fund managers seeking fund finance solutions across the fund lifecycle". That reflects the continued growth of private capital in APAC (including Australia), "as well as the increasing sophistication of managers who are using fund finance as a strategic tool rather than simply a source of liquidity".

A far smaller share of funds in APAC are using subscription credit facilities than in the US and Europe, practitioners say, and there is much room for further growth. This expansion is already being seen, with most market participants interviewed believing it is a result of structural factors and a sign of the growing maturity of the Asian market.

Ming Eng, managing partner at Granite Asia, a multi-asset investment platform, says the growth in fund finance in APAC overall is more structural than cyclical: "Asia as a whole on the private credit side is behind the US and Europe in terms of fundraising, the market and different LP appetite."

Equity alone cannot solve all the region's capital needs, Eng says. "Credit can fit some of the requirements," she adds, reflecting on Granite's own expansion into private credit.

What the numbers show

Mourant's 2025 numbers, drawn from the transactions it has advised on (a reasonable proxy for the whole APAC market), show that subscription lines remain the most popular kind of fund finance, at 69 percent of deals, though that is down from 73 percent the year before. GP and management facilities slipped from 19 percent to 15 percent in the same period, while hybrids held steady at 5 percent.

The beneficiary was NAV finance, whose share rose from 2 percent of transactions in 2024 to 11 percent in 2025. "APAC NAV financing has moved beyond proof of concept, and has noticeably grown over the past 18 months, but it has not yet reached the depth or standardisation of the US and European markets," says Roman.

Contrary to popular belief, Fi Dinh, head of fund finance for the Asia-Pacific region at MUFG Investor Services, believes NAV financing began very early in Asia. "People say NAV financing started in the US and Europe. Actually, in Asia it started very early, but nobody knew about it because it was provided by high-net-worth individuals and family offices on a bilateral basis to support the funds they were invested in, often at high interest rates, and [with a] more esoteric structure."

Today, the growth in NAV financing is being driven by a slower exit environment, which has increased demand for liquidity solutions that allow managers to support longer holding periods, continue value creation initiatives, and in some cases, return capital to LPs ahead of realisations, Roman says. Moreover, "it reflects the natural maturation of the APAC private capital market".

A number of APAC-focused funds, including several large vehicles raised between 2017-20, are now reaching the stage where NAV-based financing is a more appropriate tool.

In the meantime, pricing has followed rates without quite mirroring them. Median term SOFR margins in Mourant's book fell from 2.5 percent in 2021 to 1.8 percent in 2025, with a sharp compression in the third quarter as confidence in rate cuts built, and a rebound in the fourth as the pace of those cuts became less certain.

Dinh's explanation for the persistent discount to Western pricing is structural rather than cyclical. "Asia is a borrower's market, not a lender's market," she says. This has been one of the market's defining features.

Dinh says that when she came to Asia when the market was in its nascency, there was a noticeable pricing differential between Asia and the US and Europe due to the relationship-driven and more localised nature of transactions. The gap has since narrowed, with different market players increasingly expanding across regions.

"However, the gap still remains, with some banks treating fund finance as a relationship tool to win other business and thus [being] less price-sensitive at an individual transaction level."

Roman agrees that the arbitrage that once drew US managers to Asian lenders has narrowed over the past 18 months and pricing has become more aligned across markets.

But attractive opportunities remain for APAC lenders willing to serve the mid-market, where demand continues to outstrip supply, and there is less competitive pressure than the large-cap sponsor market, which attracts the majority of bank liquidity.

Transparency and logic

Subscription lines are now seen as plumbing, not really strategy, in APAC, used as a way to bridge capital calls so that deal execution is not held up. It is very common in the market and awareness is high. Eng says, "LPs now are pretty savvy [about fund leverage], especially the ones that have experience investing in US and European funds.

"If the question is asked, there is usually that transparency." Dual reporting of levered and unlevered returns has become routine in the region as well, managers say.

Dinh cautions, however, that subscription lines are not just about the obligation of people to pay but also understanding what motivation they have: "Ultimately, it is lending against future contractual obligations."

Roman says that if used responsibly, NAV financing can give a GP time to achieve a better outcome and avoid a forced sale. However, if used simply to improve reported DPI, it risks substituting leverage for performance. "LPs are alive to this, and GPs in APAC understand the importance of ensuring there is transparency with LPs when it comes to leverage and DPI."

Rahul Shah, a partner at EvolutionX Debt Capital, a growth-stage debt financing platform jointly set up by DBS and Temasek, is more frank about the commercial logic: "I think almost every credible fund will use subscription line finance. It's a no-brainer to improve returns."

Shah's reading is that LPs will tolerate leverage up to an agreed point and then want the committed capital drawn, because capital sitting idle earns nothing for anybody. "It's a fine balance, and it's always a negotiated position between LPs and GPs of how much leverage up to what point the fund can take."

From overdraft to credit facility

The Asian fund finance market has developed in tandem with the first multi-billion fundraisings by home-grown managers

The APAC fund finance market did not begin as a market at all. The early years in APAC essentially consisted of relationship lending given a more respectable name. "Historically, liquidity was provided by relationship banks, often through relatively straightforward bilateral facilities akin to an overdraft with lighter documentation, some even without security, and a more relationship-approach to underwriting," says Fi Dinh of MUFG Investor Services.

That started changing as global managers set up Asian vehicles and brought their documentation features with them. Then, in around 2017 and 2018, home-grown Asian managers began raising multi-billion-dollar funds themselves, and a single bilateral lender could no longer carry the size of financing required. Once the facilities had to be syndicated, they had to be documented properly, and standards converged on existing US and European practice fairly quickly.

Geopolitics has since rearranged the demand side of the equation. Asian funds have traditionally had a heavy China bias, and as US-China tensions spiked, US (and other Western) LPs moved to a wait-and-see position. The amount of dry powder reduced and managers went looking elsewhere to raise capital – first to Asian sovereign and pension money, then to the Middle East. This has also resulted in more funds being built around countries and sectors than pan-Asian vehicles.

Banks continue to dominate

Banks account for an overwhelming share of fund financing. Dinh talks about how Asian banks, unlike their US and European counterparts, have ample liquidity and no problem with capital because they have healthy savings, thanks to the region's strong savings culture and the banks' need to put their capital to use.

Depending on the asset class: "You can have situations where multiple teams within the same bank are providing fund finance – the real estate team, the corporate lending team, the private bank team, the financial institutions group, the trading desk and the like – depending on what cross-sell they can get out of it."

And as Shah says, the premise is quite simple for the banks. "Logically, for banks to take comfort to provide leverage, they want to see strong underlying portfolios, reputed LPs anchoring the fund and investment teams with demonstrated track records."

As the Asian private capital industry has matured, so has the opportunity set for banks.

Eng explains why private credit struggles to dislodge them: "[Asian] private credit funds typically expect a lot higher return compared with banks. So, for subscription lines or even NAV financing, it is harder for private credit funds to get involved because those are not going to meet the return hurdles."

Where non-banks can compete is on bespoke NAV and hybrid structures spanning several jurisdictions, which banks find awkward to underwrite.

What to watch

Three developments are already visible in the 2026 data. There is a rise in late-stage capital call facilities, as sponsors with meaningful uncalled commitments extend subscription lines rather than move to NAV. Roman also points to growing activity around separately managed accounts, as sovereign and pension investors demand bespoke vehicles and lenders learn to underwrite concentrated exposure to a single name.

This is something Navas Ebin Muhammed, chief executive officer of MARS Growth Capital, a joint venture between MUFG and fintech firm Liquidity Group, seems to concur with. "Structured credit facilities are expected to be our growth engine and the easiest way to onboard third-party capital," he says.

"With the right partners, they are faster to execute and more scalable. Such a vehicle could go into multiple areas including but not limited to direct lending, project financing, asset-based finance and potentially fund financing and the like."

Separately, he is of the view that there is going to be consolidation in the market. "Globally, capital is getting concentrated in fewer managers. The proliferation of platforms will slow down – the larger platforms will get larger, and the smaller ones will either integrate, find a niche or go away."

All of this will have direct implications for the fund finance market. The question, then, is not whether fund finance will continue to grow in APAC – it will. It is about where the growth will be seen.

Given the diversity of the region's economies, the opportunity set is likely to continue evolving. As Dinh points out: "With the rise of Japan in a short two to three years, now people are talking about Korea as well. There are continuous and very fast-growing green shoots of new opportunity in Asia."

A jigsaw of small markets

Australia has the most mature fund finance and NAV market in the region, while Japan is taking steps as demand grows

All practitioners interviewed for this feature stressed the folly of referring to the APAC region as one market.

According to Mourant's Danielle Roman, most lenders in APAC transactions are based in Hong Kong and Singapore, as they remain the principal regional fund management and transaction hubs. Australia has a comparatively mature fund finance and NAV market that is largely serviced by the Australian banks, but Roman adds that lenders in Hong Kong and Singapore are equally chasing these opportunities, especially for NAV deals.

Macquarie Bank's Daniel Toblib says that while Australia is a developed market, it is less mature than the US and Europe, although "the gap is narrowing as lender participation grows and product adoption broadens".

Australia, in fact, inverts the regional pattern. NAV is the established product there and subscription lending is a comparatively small segment. MUFG Investor Services' Fi Dinh explains: "Many Australian funds are domestic-focused and backed by the superannuation funds, so it is an LP-led market."

Toblib says fund finance has grown significantly in Australia in recent years in volume and sophistication. "What was once largely a subscription finance market has evolved to support a much broader range of financing products and private capital strategies," he adds.

Japan is also generating substantial interest through corporate carve-outs, take-privates and succession opportunities. The one challenge in the market, according to Roman, is that historically, fund documents were very restrictive when it came to borrowing, but regulation around this has been changing following demand in the market.

Japan has also largely skipped the usual sequence of market development. While elsewhere in the region, the market progressed from subscription to hybrid to NAV in that order, Dinh says that in Japan, everything happened at the same time, because Japanese managers wanted the best of all worlds.

Elsewhere, India continues to offer growth in private equity and infrastructure, including through its GIFT City structures. But Roman cautions that India requires careful navigation of domestic regulatory, currency and enforcement issues.

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Key mentions

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