

# AB NAVigator

Your Guide to Market Trends in NAV Financing

Published by AB NAV Lending



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**Middle market PE sponsors are strategically utilizing NAV loans to deploy 100% of fund commitments while safeguarding uncalled capital reserves for the unexpected. This additional deployment capacity increases returns for LPs. As an added bonus, in uncertain environments such as today, the capacity can be used to capitalize on dislocations and generate premium returns”**

Patrick Fear, Senior Managing Director, Chair—AB NAV Lending

# Market Update

## Access to Liquidity in Times of Uncertainty

PE sponsors are utilizing NAV loans to ensure adequate liquidity and reserves given an uncertain exit and operating environment.

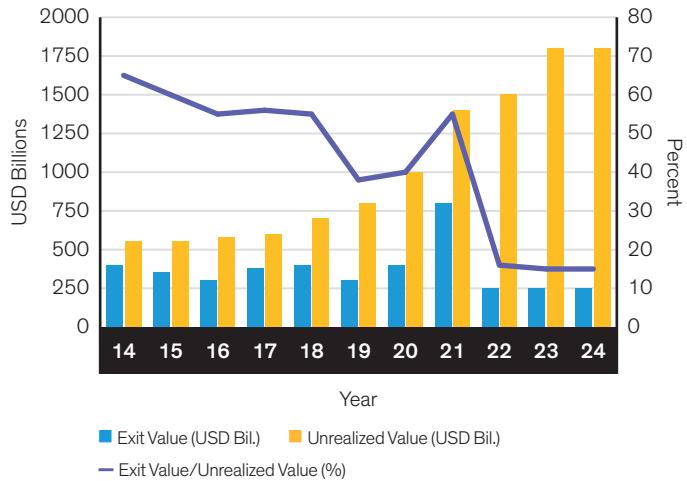
Characteristics of the current private equity environment include:

- **Longer Holding Periods:** The average holding period for an actively held investment was 6.7 years in 2024, which was higher than the long-term average of 5.7 years.<sup>1</sup>
- **Slower Fundraising Pace:** PE AUM tripled from \$810 billion in 2014 to \$2.47 trillion in 2024;<sup>2</sup> however PE fundraising slowed in 2024 to \$327 billion compared to \$417 billion in 2023 and is currently muted given the deferral of exit activity.
- **Tougher Operating Environment:** Increased tariffs and declining consumer confidence are adding to operational challenges for US-based companies. The GDP growth rate is projected to slow to 1.7% in 2025 from 2.4% in 2024.<sup>3</sup>
- **Increasing Evaluation of Fund Financing Tools:** Based on interactions with over 200 sponsors, the AB NAV Lending team estimates that nearly 20% have utilized NAV loans, while another 50% have solicited term sheets or otherwise evaluated NAV loan capabilities and use cases.

### Uses of NAV Loans in Uncertain Times:

- Support liquidity at portfolio companies through longer hold periods
- Protect portfolio companies impacted by tariff-related or recessionary factors

### EXIT VALUE RELATIVE TO UNREALIZED VALUE IS AT AN ALL-TIME LOW



Current analysis does not guarantee future results.

As of September 30, 2024 | Source: PitchBook

- Acquire undervalued assets in dislocated markets
- Execute strategic add-ons for existing portfolio companies

## Heard on the Street: Recent NAV Lending Insights

The AB NAV team recently attended several key conferences, including the 2025 Fund Finance Association Global Symposium.

Our key takeaways pertaining to PE NAV loans include:

- **Increasing Investor Confidence:** Fund finance, encompassing both NAV facilities and subscription lines, has gained recognition as a robust, sustainable asset class
- **More Attractive Options for Borrowers:** Insurance capital in fund finance has resulted in more efficient pricing and flexibility across fund finance products
- **Detailed LP Dialogue:** LPs are more aware of the accretive impact of money-in use cases, as well as keenly interested in fund deployment optimization, and open to transparent discussions about specific manager recommendations

- **Bespoke Facilities:** Standard structures and documentation do not exist across the market. Experienced lenders can customize structures and be a consultative resource. In addition, knowledge of the underlying assets is essential for efficient underwriting

- **GP Financing in Demand:** There is rising demand for GP financing due to fundraising challenges, slow exits and succession planning. Continued innovation by market participants has expanded available options to include both working capital and term loans for management companies

**Innovation in the fund finance market has led to increased adoption of fund finance products, with nonbank lenders well positioned to provide bespoke solutions.**

# NAV Loans 101: Fund Deployment Optimization

## Case Study

(Based on a recent AB-NAV transaction)

### Conundrum for GPs

- Private equity funds reserve uncalled capital to support portfolio companies, fund add-on investments, and cover fees and expenses
- These capital needs are difficult to forecast with precision
- Over-allocating can have severe implications on the ability to create value later in a fund's life
- Consequently, many managers have a tendency to over-reserve (or under-deploy), which is inefficient and leads to:
  - Reduced absolute return %
  - Higher gross-to-net spread
  - Lower carried interest \$
  - Less portfolio diversification

### Solution: NAV Loan

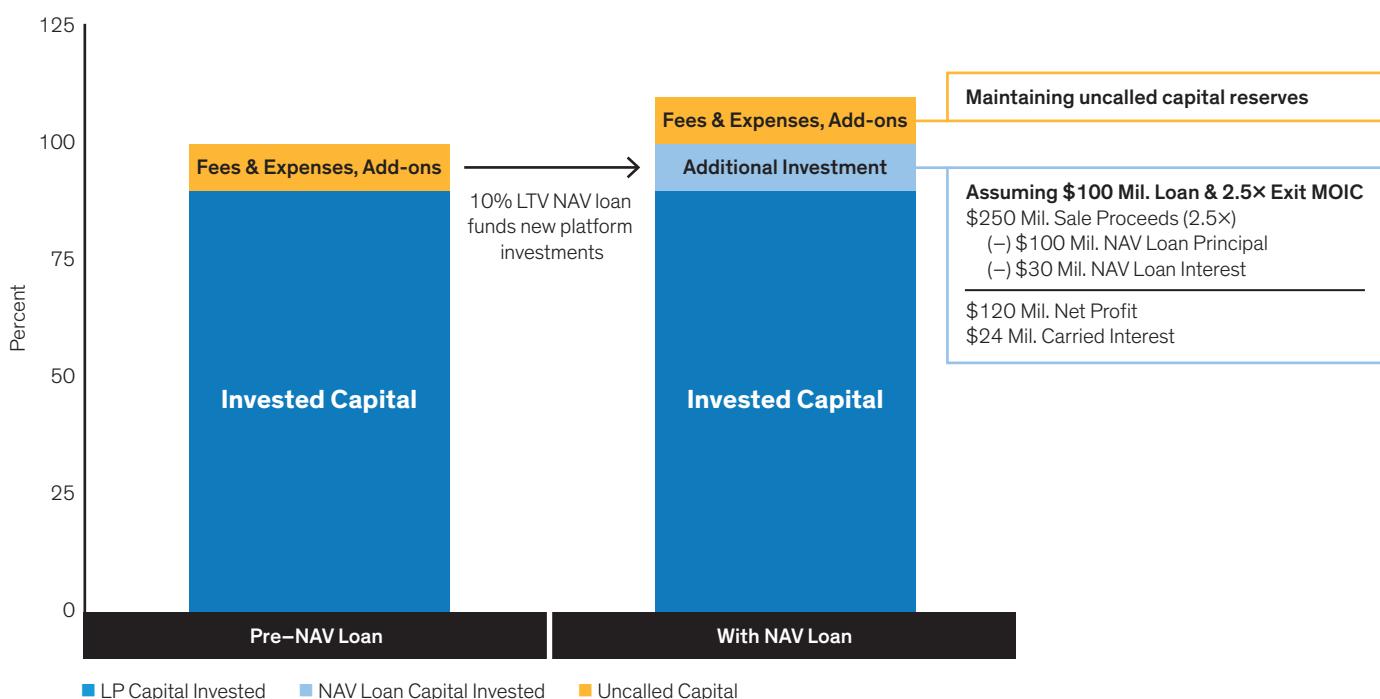
#### Benefit for LPs:

- Under-allocation concerns LPs. NAV loans ensure full fund deployment, reducing the risk of over-reserving uncalled capital
- LPs earn returns on deployed capital; higher deployment should result in higher return and lower gross-to-net spread

#### Benefit for GPs:

- Make additional investments and maximize fund deployment
- Reduce the drag from over-reserving uncalled capital
- Increase carried interest by optimizing capital structure
- Facilitate maintenance of reserves to support the portfolio

## OPTIMIZING FUND DEPLOYMENT WHILE MAINTAINING PRUDENT UNCALLED CAPITAL RESERVES



For illustrative purposes only. There can be no assurance that any investment objectives will be achieved.

Source: AB

# AB NAV Lending Team

AB NAV Lending enables AB Private Credit Investors (AB-PCI) to provide fund-level financing to private equity sponsors and direct lending to portfolio companies and equity co-investment solutions.

## AB NAV Platform

- Highly experienced team executing NAV loans: ~\$5.5 billion across 60+ deals
- Synergy with corporate credit originations and underwriting teams at AB-PCI
- ~\$400 million executed since Q2 2024

## Solution Offerings

- Investment-Grade NAV (5+ portfolio companies)
- Specialty NAV (2–4 portfolio companies)
- Management Company Loans
- GP Stake Financing

## Select Recent Transactions

	<b>\$100,000,000</b> <b>April 2025</b> Fund Deployment Optimization		<b>\$30,000,000</b> <b>April 2025</b> Add-on to Existing Investment		<b>\$150,000,000</b> <b>December 2024</b> Financing Additional Investments
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## Upcoming Conferences and Events



New York | May 14, 2025



Chicago | May 13–15, 2025



Berlin, Germany | June 2–6, 2025

## Meet the Team



**DUPE ADEYEMO**  
Managing Director,  
Head—AB NAV Lending



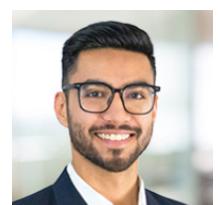
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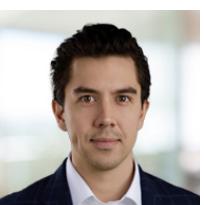
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Discover more at [alliancebernstein.com](http://alliancebernstein.com). For more information, please contact the AB NAV Lending team at [NAVLending@alliancebernstein.com](mailto:NAVLending@alliancebernstein.com).

# Resources

[alliancebernstein.com](http://alliancebernstein.com)

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- 1 [Global Private Markets Report 2025 | McKinsey](#)
- 2 [The Outlook for Private Equity in 2025 | KraneShares](#)
- 3 [The Fed - March 19, 2025 | FOMC Projections materials, accessible version](#)

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