



AB NAVigator

Your Guide to Market Trends in NAV and GP Financing
Published by AB-PCI NAV Lending



Fund finance has evolved into strategic, flexible and increasingly standardized solutions that are helping sponsors manage capital and liquidity...”

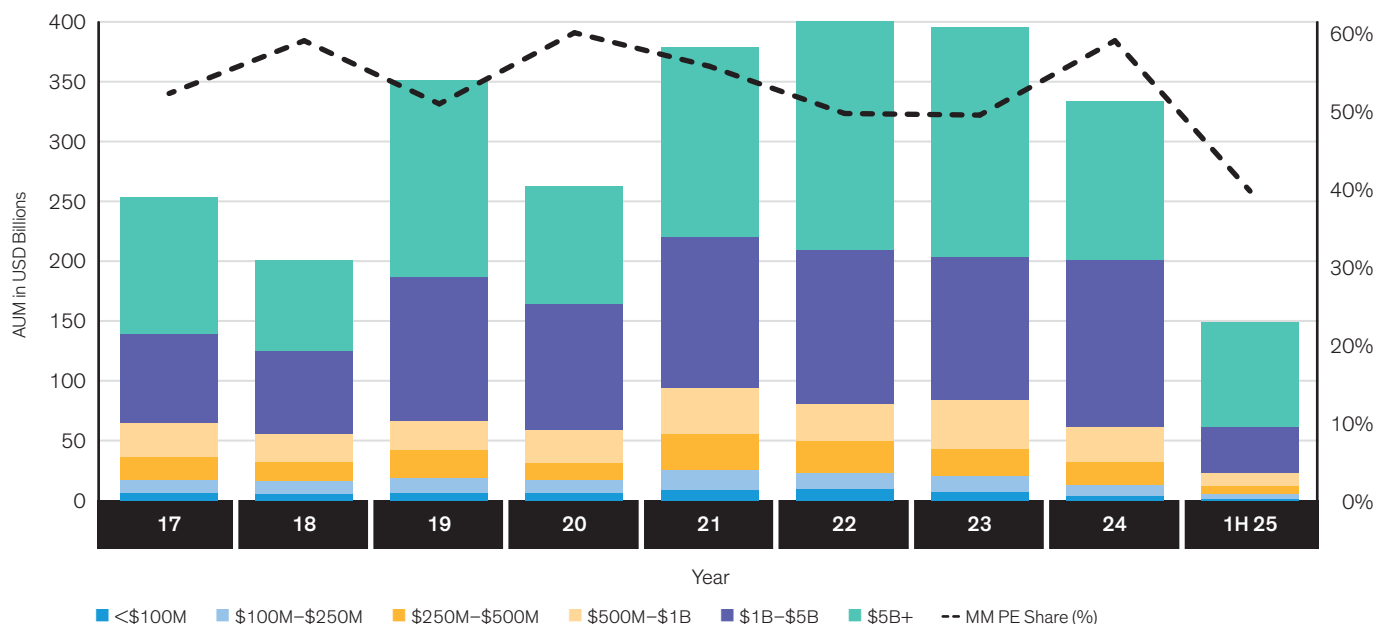
Head of Capital Markets—Middle Market PE Fund at AB CFO/COO Conference

Timely Topic: Pace of Middle Market Fundraising

US middle market private equity (PE) fundraising is tougher—fewer funds hit targets, and outcomes are increasingly dispersed. In response, managers emphasize DPI and use liquidity tools to keep investing and remain competitive.

US PE FUNDRAISING—FLIGHT TO SCALE

\$5B+ Funds Take 58.9%; \$1B–\$5B Down ~9 pts



AUM: assets under management. "Middle market" refers to funds with AUM between \$100 million and \$5 billion.

As of June 30, 2025 | Source: Pitchbook US PE Breakdown Report Q2 2025

- **Overall Continued Decline:** Fundraising entered 2025 in deceleration and is on pace for a second consecutive annual decline as exits continue to be slow. 1H 2025 fundraising totaled \$150 billion, compared with \$333 billion for full-year 2024.
- **Flight to Scale:** US PE funds over \$5 billion captured 58.9% of 1H 2025 fundraising (versus 39.9% in 2024), showing capital is consolidating with large managers and making fundraising even tougher for newer managers.
- **Middle Market Hits Decade Low:** After two strong years—50% (2023) and 65% (2024)—US middle market funds raised \$60 billion in 1H 2025 (versus \$80 billion in 1H 2024), and their share fell to 40% of total PE fundraising.

Successful Strategic Response: Managers are delivering DPI where appropriate and supplementing it with liquidity tools—including anchor limited partner (LP) commitments and fund-financing solutions such as NAV loans and continuation funds. With exits subdued, these approaches keep funds investing, create additional value and carry, demonstrate liquidity and seed successor funds.

AB-PCI CFO/COO Conference Highlights

AB-PCI hosted its first annual CFO/COO Conference, bringing together more than 35 PE CFOs for an afternoon of learning, collaboration and networking.

Speakers and panelists included individuals from Abbott Capital Management, BV Investment Partners, Cadwalader, Wickersham & Taft, Garnett Station Partners, Hebbia, Kirkland & Ellis, L Catterton, Wafra, Waystone and West Monroe.



AB-PCI CFO/COO CONFERENCE KEY TAKEAWAYS

Fundraising: DPI is more than just an acronym

- PE allocation targets are generally flat for institutional allocators
- LPs are seeking stability in team and strategy, an edge in sourcing or sector focus and demonstrated ability to generate DPI and co-investment opportunities
- Communication and transparency are in focus both in the diligence phase and in fund and portfolio matters—poor communication can sour LP relationships

Managing Capital & Liquidity: Lender selection is key in NAV lending

- Subscription lines are considered standard practice and drive operational flexibility
- When selecting a NAV loan provider, relationship, strategy/asset knowledge and flexibility are critical; the borrower should ensure the lender is well-suited to understand their assets and partner through market cycles
- Transparency with LPs should include timely disclosure as well as clarity on the use case—how is it accretive to LPs?

AI In the Office of the CFO: Transition from hype to early adoption

- 70%–80% of firms have an AI tool that currently serves as an assistant versus full process replacement
- Weekly use by employees has been limited to a handful of “AI stars”—users must be trained and incentivized, and tools must be subject to governance and oversight
- For PE firms seeking to make initial AI hires, business-savvy analytics operators are often more suitable than data scientists

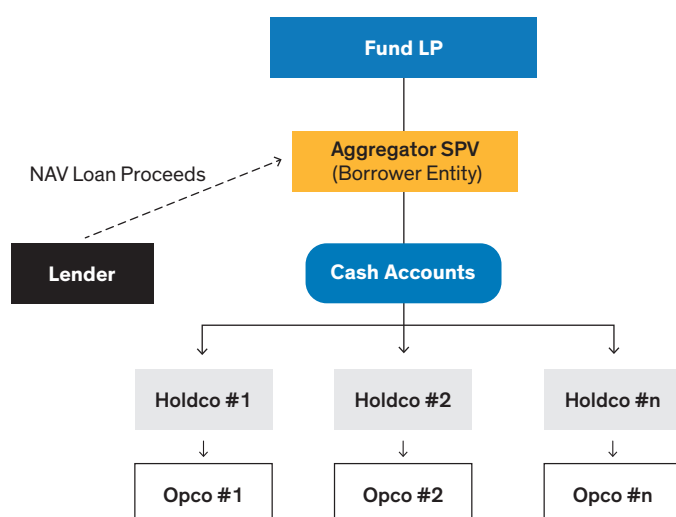
Regulatory Landscape: Fees in focus

- The SEC's largest focus area in examinations is fees and expenses, with particular focus on transaction fees and waterfall mechanics
- CVs are a priority: process, conflicts, valuation and record-keeping are being scrutinized
- Sponsors should ensure detailed backups for figures subject to the marketing rule are readily available to examiners

NAV Loans 101: Borrower Guide to Structuring NAV Loans

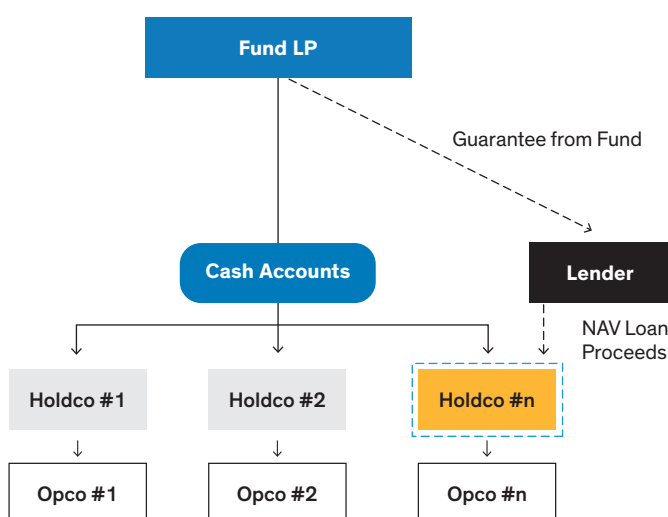
NAV loans aren't one-size-fits-all; an experienced NAV lender helps turn a fund's partnership terms, portfolio profile and cash-flow needs into financing that meets its objectives. Below is a concise overview of two widely used NAV loan structures.

NAV LOAN TO AN AGGREGATOR SPV



Lender advances to a newly formed (or existing) aggregator special purpose vehicle (SPV) that sits between the assets and the fund.

NAV LOAN TO HOLDCO WITH FUND GUARANTEE



Lender advances to a holdco above a specific asset and receives a guarantee from the fund.

The charts above and table below highlight some key considerations when determining which structure would work best for a given situation.

Considerations	Aggregator SPV	Holdco Loan with Fund Guarantee
Unrelated Business Taxable Income (UBTI)	Aggregator structures often shield tax-exempt investors from UBTI	Loans to holdcos typically shield tax-exempt investors from UBTI, however it should be considered whether a fund guarantee creates UBTI
Transfer of Assets	May require transferring the fund's investments to the aggregator SPV	Reuses existing holdco and avoids the transfer of assets
Limited Partnership Agreement (LPA) Permissibility	May require Limited Partner Advisory Committee (LPAC)/LP consent or consultation if not otherwise permitted	Fund guarantees may be permitted under the LPA, however, LPAC/LP consent may be required if the size of the loan exceeds what is permitted under the LPA
Flexibility for Use of Proceeds	Proceeds can be deployed across multiple portfolio companies	Proceeds are more centralized in the subject holdco's portfolio company
Compatibility with Subscription Line	Facility is structurally separated from the fund and its uncalled capital commitments, so the subscription line can remain in place	If fund guarantees are not permitted in the subscription line, a fund guarantee may require an amendment of the subscription line
LP Receptivity	LPs are typically focused most on investment merits and use of proceeds and will defer to the manager on structure	

AB-PCI NAV Lending: Platform & People

AB-PCI NAV Solution Offering: At a Glance

\$25 million–\$1 billion
Loan Size

5%–40%
Loan to Value

SOFR 3.5%–8%+
Pricing

IG/Specialty NAV: 5+/2+ Portcos
GP Finance: \$1B+ AUM

Platform Highlights

- Part of AB Private Credit Investors (AB-PCI), a \$22 billion private credit manager with 100+ professionals
- Expands AB-PCI's sponsor-focused solution set to include fund finance alongside existing direct lending and equity co-invest solutions
- Dedicated NAV-lending professionals with product expertise supplemented by underwriting and industry experts

Why AB-PCI NAV Lending?

- Full suite of capital solutions across risk, size and structure
- Seasoned team: 30+ years in fund finance, 60+ successful deals
- Committed insurance capital drives low-cost, scalable solutions
- Relationship-first, recourse-light approach—built to partner with strong stewards of capital
- Deep underwriting and valuation expertise enables efficient execution

Upcoming Conferences and Events



15th Annual Global Fund Finance Symposium
Miami | February 2–4, 2026



Women's Private Equity Summit
Phoenix | March 8–11, 2026

Meet the Team



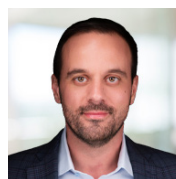
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