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Private Capital - Key Fund Takeaways from the IBA Conference

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In March 2025, members of Mourant's global funds team attended the International Bar Association's excellent 23rd Annual International Conference on Private Investment Funds in London. We're pleased to share some key takeaways from the conference.

Macroeconomic climate

- A key theme of the conference was macro-economic uncertainty, particularly since President Trump's return to the Oval Office.
- On the one hand the Trump administration is leaning towards a period of deregulation and a 'pro-business' environment, facilitating increased flexibility and innovation, particularly in retail investment and digital assets. US attendees commented that they have already seen a reduction in SEC staff following DOGE cuts, with a sense this was likely to lead to a slower pace of regulation and reduced regulatory enforcement actions. On the other hand, markets have been spooked by the threatened imposition of new trade tariffs.
- Whilst the EU is seen as more cautious, it is expected to adopt a similar approach to regulation with a focus on growth opportunities.
- Whilst this pro-business environment is ostensibly good for business, the ongoing political uncertainty is a cause for concern with sponsors and businesses seeking stability and clarity. Unpredictability has led to a cooling of deal activity and prolonged fundraising timelines.
- A poll of attendees picked 2027 as the year we might see a full rebound in private equity fundraising, although some expected real estate and credit fundraising to recover sooner.

Sponsor trends and developments

- Consolidation of asset managers is expected as it becomes increasingly harder for smaller and medium sized firms to operate in a complex regulatory environment. This will likely be coupled with larger asset managers becoming diversified multi-asset managers with business lines focussing on real estate, infrastructure and credit. Overall AUM of the private capital sector is expected to continue rising.
- Investors continue to demand more flexibility and the desire to offer bespoke arrangements is further adding to operational complexity for sponsors.
- It was noted that awareness of the pressure on back-office operations from this additional operational complexity must be considered, with GCs increasingly thinking of resourcing capability alongside legal and technical feasibility.
- As noted above, sponsors are increasingly interested in the capital available from retail / non-institutional investors.
- Top concerns amongst sponsors were cited as uncertainty, macroeconomic/geopolitical environment and cyber security.
- Notwithstanding an apparent softening of the regulatory environment, many managers present emphasised that their firms will be maintaining strong compliance functions with no material changes

to processes expected as they want to demonstrate stability of the industry and meet investor governance expectations.

- Resurgence of interest in evergreen structures, offering long-term, continuous investment without frequent fundraisings. This model appeals to investors seeking consistent returns and stable capital deployment, providing a more predictable investment horizon. Despite this, the inherent liquidity mismatch continues to be a sticking point.
- Continuation vehicles are increasingly used to facilitate exits, especially as fund lifecycles end. These vehicles offer flexibility for investors and GPs, allowing continued value creation and liquidity options, as demand for exit solutions grows. There has been some market standardisation normalising the use of a continuation vehicle as an exit strategy, but they are still bespoke processes requiring clear communication between sponsors and LPs. They have provided an important source of liquidity in an environment when other exit opportunities have been harder to deliver.

ESG & DEI

- Given the target of ESG and DEI deregulation under the Trump administration, those with US operations are also grappling with uncertainty in this space. Commentary around ESG and DEI was perhaps more guarded than in recent years in light of this uncertainty.
- Some US businesses are cutting back DEI policies amidst concerns of 'illegal DEI' and are also 'grey washing' to avoid overstating their ESG credentials.
- Policy divergences between the US and Europe are creating complexities for sponsors trying to cater to global investor bases. Those wishing to sustain their ESG/DEI efforts are focussing on linking these efforts to performance so it is an integral part of their investment methodology rather than a separate non-fiduciary target.
- It was noted that the current move away from ESG/DEI in the USA could be temporary, and subject to reversal at the end of the Trump administration.
- In light of the altered geopolitical environment, could defence investment now be seen as a responsible investment or otherwise ESG-focussed, particularly in Europe? Traditionally seen as a difficult area for investment, with many investors requesting excuse rights, significant opportunities are now expected with European countries announcing increased defence budgets in response to an apparent change in US foreign policy position.

Credit Funds

- Credit funds are benefitting from a healthier banking market, with stronger deals and a growing distinction between bank and credit fund models.
- Evergreen investment structures are gaining popularity with GPs and LPs, offering long-term access to sponsor strategies and reducing the need for frequent fund-raising. There are generally two key types of evergreen model emerging:
  - Vintage: rolling investment periods where each vintage is a separate entity. Managing equity distribution can be tricky, but using a credit line may help.
  - Open-ended: investors enter based on NAV, but this can be sensitive for some. These funds work well for attracting private wealth investors but require strong distribution networks.
- Benefits for sponsors include cost savings and operational efficiency, though challenges include managing LP rights, equalization, and investor inflows and outflows. Portfolio composition can be complex due to the need for liquid assets, which may lead to performance variations.

Digital Assets

- Digital assets and crypto continue to be a topic of interest. There was a perception of increased confidence in the area with several litigation cases being dismissed and increased deal activity. The entry into the market by several large institutions, such as BlackRock, is seen as a further sign of market confidence.
- Institutional investors are showing more interest but continue to seek more education.
- The US may soon consider digital currencies like Bitcoin as part of its strategic reserves, signalling a shift in its crypto approach and close analysis of which currencies form that basket. Despite concerns over SEC staff cuts, there are indications of investment in the SEC's digital asset team. The US is seen as

a more friendly environment for digital assets and there is growing interest in bringing digital investment structures back into the US.

- Asset tokenization is gaining attention, offering efficient asset management through blockchain. Growing interest in onshoring crypto structures to the US, which is seen as more crypto-friendly.

Retailisation

- Retail allocation in private markets in the US is expected to grow. Demand from retail investors is increasing, with expectations that the new US administration will foster retail investment growth. The SEC is softening regulations and working to streamline processes, but staffing shortages may hinder its ability to handle increased filings.
- The EU is not introducing new regulations, but the trend toward retail investing continues. Luxembourg is leading with growing interest in evergreen funds and ELTIFs for retail access to alternative strategies. These can be structured as open-ended funds but they come with asset eligibility and diversification requirements. Part II Funds, originally used for hedge funds, are now accessible to retail investors through the ELTIF wrapper.

Use of Artificial Intelligence

- AI is streamlining deal processes like due diligence and handling NDAs, though its full potential remains untapped. Firms are certainly experimenting with AI, which is expected to show greater impact in the next few years.
- AI adoption in the legal industry is progressing, and there are a range of tools available, but no single one has emerged as a clear leader.
- Whilst firms are keen to adopt AI, progress has been slower than some expected due to concerns around technology and trustworthiness, and training barriers. Firms are still learning how to prompt AI effectively to produce the desired results.

NAV Facilities

- NAV Facilities continue to grow rapidly in private equity, with the market projected to rise from $100 billion to $600 billion in 5 years. Initially used for capital returns, NAV facilities arealso now funding investments, expenses, and portfolio company recapitalization, especially for funds nearing the end of their investment period and where disclosure of their potential use for such purposes is clear to investors. Their flexibility makes them attractive, as they help avoid ownership dilution and costly debt.
- Subline facilities are shifting from revolving to more stable term structures. These changes increase scalability and flexibility, as well as the ability to securitize them. Future LPAs may include language to support this shift, but investors will need clearer transparency to ensure alignment with their goals.
- Securitisation of fund facilities is also becoming more common. However, turning revolving sublines into predictable assets for securitization remains challenging.
- ILPA has raised issues with the transparency, performance tracking, and governance of NAV and subline financing.
- GPs are increasingly using financing, secured against management fees and carry, to help fund their contributions.

For more information on Mourant's Private Capital Perspectives or to share your insights, please feel free to contact us.

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