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## NAV FACILITIES FOR SECONDARIES FUNDS: LEGAL, STRUCTURAL, AND CREDIT CONSIDERATIONS

*This article outlines the core structuring considerations for NAV facilities in the secondaries context, including SPV design, collateral packages, transfer-restriction navigation, parent-level credit support, covenant frameworks, and information-sharing constraints. It aims to give practitioners a practical roadmap for balancing lender protections, GP authority, and the operational realities unique to secondaries portfolios.*

By Steven Starr \*

### I. INTRODUCTION

The secondaries market has undergone a period of exceptional expansion, driven by a slowdown in private equity exits and a corresponding need for liquidity among investors. Recent data from major intermediaries indicates that global secondaries transaction volume reached approximately \$225–\$240 billion in 2025, marking a record high and reflecting the strength and maturation of the asset class. At the same time, the market for NAV-based lending — once a niche tool used primarily by credit and real-estate strategies — has scaled rapidly. According to guidance from the Institutional Limited Partners Association (“ILPA”), citing estimates from the Fund Finance Association, the NAV lending market is currently around \$100 billion with the potential to grow to \$600 billion by 2030.

Against this backdrop, secondaries funds have increasingly turned to NAV facilities as a means of creating liquidity, financing acquisitions, and managing portfolio-level cash flows without prematurely exiting positions. These facilities offer flexibility but also introduce a complex intersection of fund finance, LPA

restrictions, collateral architecture, and credit-agreement mechanics.

### II. STRUCTURING THE FACILITY

In NAV facilities to secondaries funds, the borrowing entity is typically a Special Purpose Vehicle (“SPV”) created by the fund sponsor to hold the acquired interests and incur the debt. This SPV will often hold numerous limited partnership (“LP”) positions. The SPV is usually a wholly owned subsidiary of the fund (and in the US is often a Delaware LLC or LP) that conducts no business other than owning certain investments and borrowing under the facility.

SPVs are used in these facilities for a number of reasons. First, they isolate the NAV lender’s collateral from potential claims by other creditors of the fund. Second, by using an SPV rather than taking a direct pledge of each fund interest held by the secondaries fund, the lender can simplify the pledge structure by taking a single pledge of the fund’s equity interest in the SPV. This structure also simplifies the lender’s path to enforcement — if the loan defaults, the lender can

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