
“The impact of Brexit has been relatively small compared to what the market was expecting”

Diala Minott, Partner, Corporate Department at Paul Hastings discusses the challenges and opportunities presented by Brexit and how it is affecting the business



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How has Brexit affected deal transaction volumes in H1?

We saw a pause while managers decided whether to activate their Brexit contingency plans. Big white label managers did activate their migration plans while smaller managers adopted a “wait and see” approach. Now we have seen more funds being launched with either the ability to flip their Alternative Investment Fund Managers’ (AIFM) Directive into a European jurisdiction or choosing to start up a new AIFM in a European jurisdiction.

Has fundraising been affected by Brexit?

I would say fundraising has been slower as more questions were being asked by investors about Brexit and its impact. However, I believe the impact has been relatively small compared to what the market was expecting.

What opportunities will Brexit provide for direct lenders?

I think there will be some pricing mismatches of underlying credits and so there will be more opportunities for dislocation funds and credit opportunity funds.

Will Brexit affect existing transactions? Have they had to add more legal documentation into the fund structuring/deals to account for Brexit? Do they need to add these for new transactions?

Some funds have had to amend their documentation, especially foreign regulated funds, and it has been interesting seeing countries such as Luxembourg take their time issuing any grandfathering legislation after Italy and France did so.

Has Brexit affected competition?

I think there are now funds that focus purely on UK assets and those seem to be more competitive. We wait to see if the UK will take advantage of Brexit to improve their funds and tax regimes.

We are seeing more levered sleeves in funds and even European investors are getting comfortable with leverage. We have seen some sterling funds come back into fashion with UK pension funds. There has been a migration of funds into Europe but hopefully the UK will start to refresh its current funds and tax regime to provide further opportunities for the market.



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