NAV-Based Facilities for Family Offices

Financing Private Equity Portfolios at 30 Percent LTV

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Abstract

Family offices that have built substantial private equity portfolios hold considerable value in their fund interests, but that value is illiquid, locked in funds that distribute over years. Net-asset-value (NAV) based facilities release liquidity against the portfolio as a whole, lending at a conservative loan-to-value (LTV) against the aggregate value of the fund interests, without requiring the family office to sell them. This paper examines NAV-based facilities for Gulf Cooperation Council (GCC) family offices. Using an indicative dataset calibrated to 2026 conditions, it sets out the structure of these facilities, the conservative LTV they employ, the uses to which the released liquidity is put, and the protections lenders require. It develops a framework for when a family office should use a NAV facility, compares it with the alternative of selling fund interests in the secondary market, examines the lender perspective, and addresses the risks. The analysis finds that NAV facilities release liquidity at a far lower cost than selling fund interests at a secondary discount, that the conservative LTV provides a comfortable cushion against a decline in the portfolio value, and that the facilities are a valuable liquidity and portfolio-management tool for family offices with substantial private equity portfolios. Three indicative case studies, a sensitivity analysis, an international comparison and an implementation roadmap support the analysis, which is intended for GCC family offices managing private equity portfolios.

Keywords: Family office, GCC, liquidity, loan-to-value, NAV financing, portfolio management, private equity

1. Introduction

A family office that has built a substantial private equity portfolio holds considerable value in its fund interests, but that value is illiquid. Private equity funds draw capital over years, invest it, and distribute the returns over a decade or more, and the family office interests in them cannot be readily sold or accessed in the interim. A family office with a large private equity portfolio is therefore, like the concentrated principal of a companion paper, wealthy in its holdings but potentially short of liquid capital, unable to access the value locked in its fund interests without selling them at a discount.

Net-asset-value based facilities resolve this. By lending against the family office private equity portfolio as a whole, secured by the aggregate value of the fund interests at a conservative loan-to-value, a NAV facility releases liquidity to the family office without requiring it to sell its fund interests. The family office accesses the value locked in its portfolio, while retaining the interests and their future distributions, at a cost far below the discount it would incur by selling the interests in the secondary market. This paper examines these facilities for GCC family offices.

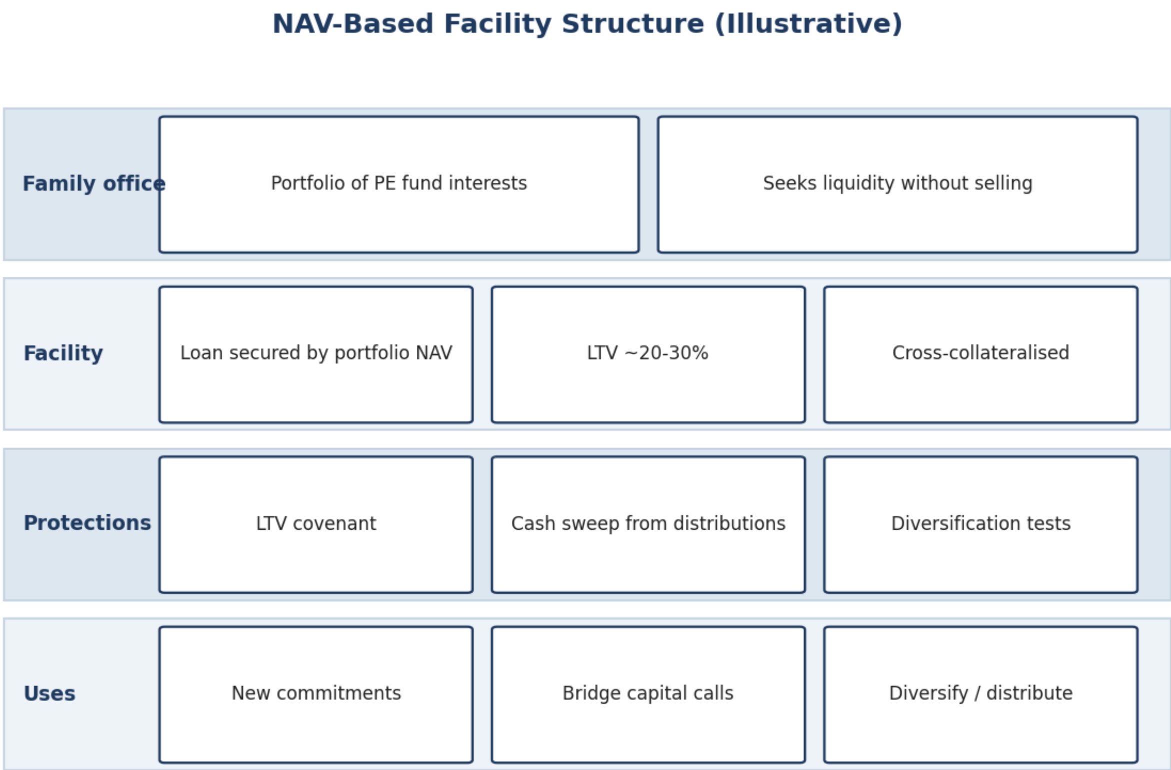
The central argument is that NAV facilities release liquidity at a far lower cost than selling fund interests at a secondary discount, that the conservative loan-to-value provides a comfortable cushion against a decline in the portfolio value, and that they are a valuable liquidity and portfolio-management tool for family offices with substantial private equity portfolios. A family office that uses a NAV facility prudently can fund new commitments, bridge capital calls, diversify, or manage its liquidity, while retaining its portfolio, at a modest cost. The paper develops the framework for using these facilities well.

The figures used throughout are indicative, calibrated to observable GCC conditions in early 2026 but not drawn from any specific transaction. The paper proceeds from the structure of NAV facilities (Section 2), through the conservative LTV (Section 3), the uses of proceeds (Section 4), the comparison with selling (Section 5), the framework (Section 6), the protections (Section 7), the lender perspective (Section 8), risk (Section 9), GCC-specific considerations (Section 10), three case studies (Section 11), sensitivity analysis (Section 12), an international comparison (Section 13), common errors (Section 14), an implementation roadmap (Section 15), a strategic perspective (Section 16), a conclusion (Section 17) and limitations (Section 18).

2. The Structure of NAV-Based Facilities

A NAV-based facility is a loan secured by the net asset value of a family office private equity portfolio as a whole, illustrated in Figure 1. The family office pledges its portfolio of fund interests, and the lender advances a loan against the aggregate net asset value of the portfolio, at a conservative loan-to-value, typically around twenty to thirty percent. The loan is repaid from the distributions the portfolio generates, swept to the lender, or refinanced or repaid from other resources, and it is secured by the portfolio and supported by the diversification of the fund interests within it.

Figure 1. NAV-Based Facility Structure



Indicative structure. The loan is secured by the portfolio NAV at a conservative LTV. Not transaction-specific.

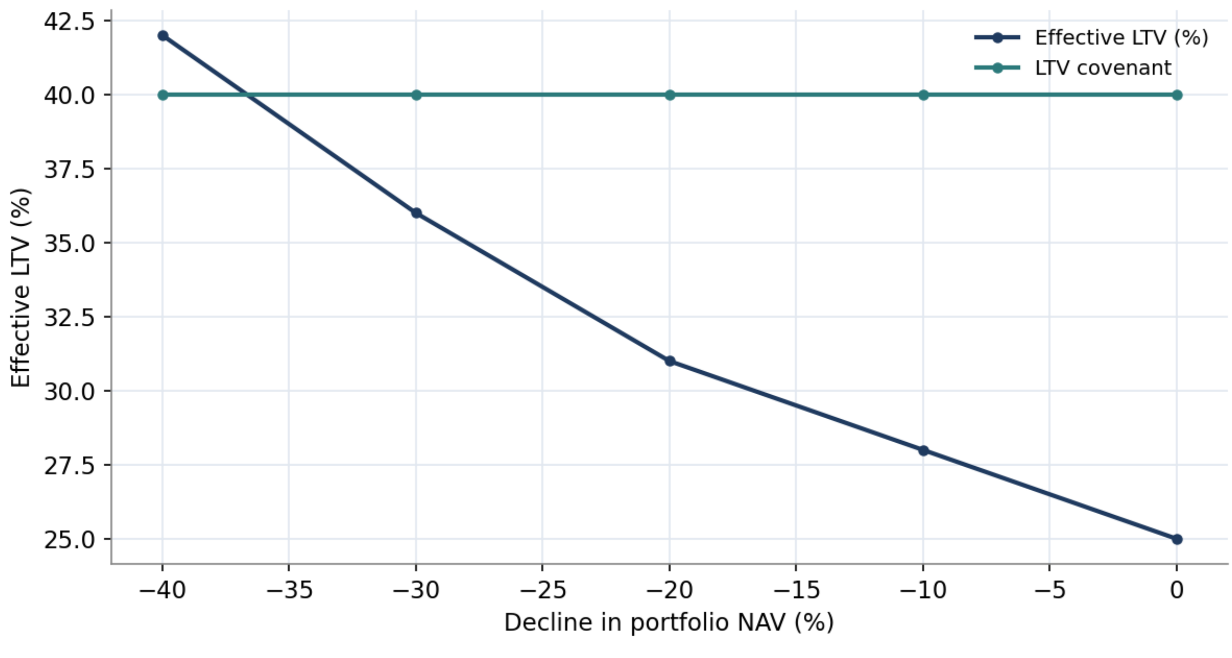
The defining feature of the structure is that it lends against the portfolio as a whole, rather than against individual fund interests, relying on the diversification of the portfolio to reduce the risk. A portfolio of many fund interests, diversified across funds, managers, vintages and strategies, has a more stable and predictable value than any single interest, and the lender lends against this diversified, more stable value, which is part of why it can lend at a reasonable cost. The portfolio-level, diversified nature of the security is central to the structure and to the conservative loan-to-value it supports.

The structure releases liquidity without requiring the family office to sell its fund interests, preserving the portfolio and its future distributions, much as promoter financing releases liquidity against a stake without a sale. The family office continues to own its fund interests, to receive their distributions, and to benefit from their future returns, while accessing the liquidity the facility provides. This preservation of the portfolio, while accessing its locked value, is the principal attraction of the structure, allowing the family office to have both the liquidity and the portfolio, which selling the interests would not permit.

3. The Conservative Loan-to-Value

NAV facilities employ a conservative loan-to-value, typically around twenty to thirty percent of the portfolio net asset value, far below the loan-to-value of a facility against a single liquid asset, and Figure 2 illustrates why this conservatism matters. The conservative loan-to-value provides a comfortable cushion against a decline in the portfolio value, so that even a substantial decline does not breach the loan-to-value covenant or impair the lender security. This conservatism reflects the illiquidity and the valuation uncertainty of the private equity portfolio that secures the facility.

Figure 2. Effective LTV as the Portfolio NAV Declines



A conservative starting LTV provides a cushion against a decline before the covenant is breached. Not a forecast.

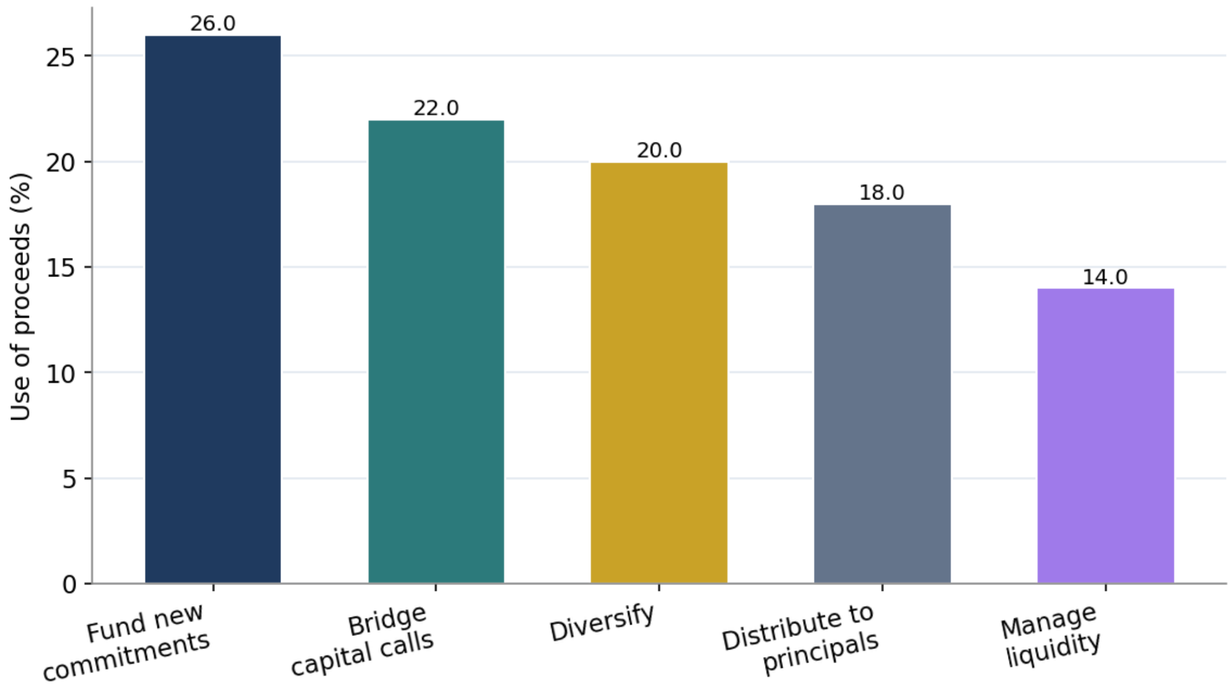
The conservatism of the loan-to-value is appropriate given the nature of the security. A private equity portfolio is illiquid, cannot be quickly sold, and is valued at net asset values that are estimates rather than market prices and that can decline in a downturn. The lender, lending against this illiquid, uncertainly-valued security, sets a conservative loan-to-value to ensure that even a substantial decline in the portfolio value, or a downward revision of the net asset values, does not impair its security. The conservative loan-to-value is the lender principal protection, and it is what makes the facility safe for both the lender and the family office.

The conservative loan-to-value also protects the family office, providing a cushion that absorbs a decline in the portfolio value before any covenant breach or margin call. Because the loan-to-value starts low, around twenty to thirty percent, the portfolio value can decline substantially before the effective loan-to-value rises to a level that would trigger a covenant breach, giving the family office a comfortable cushion. This protects the family office from the forced action that a higher loan-to-value would risk in a decline, and it is why the conservative loan-to-value, while limiting the liquidity released, is prudent for both parties. The conservatism is a feature, not a limitation, providing the safety that makes the facility work.

4. The Uses of Proceeds

The liquidity released by a NAV facility is put to several uses, illustrated in Figure 3, that are central to a family office private equity programme. The foremost is funding new commitments: a family office that wishes to make new private equity commitments, to maintain its programme and its vintage diversification, can use the released liquidity to fund them, rather than waiting for distributions or selling existing interests. This use sustains the family office private equity programme, allowing it to keep committing across vintages.

Figure 3. Uses of NAV Facility Proceeds (Indicative Weights)



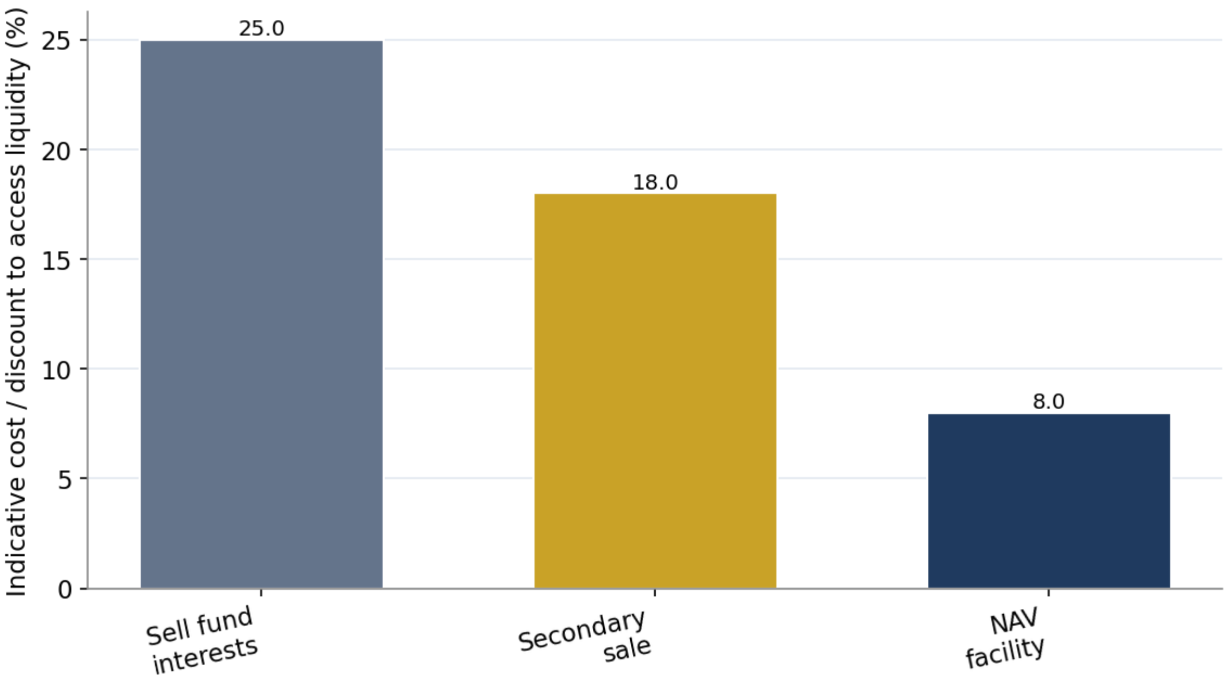
A second key use is bridging capital calls: private equity funds call capital from their investors over time, often unpredictably, and a family office must have liquidity available to meet these calls. A NAV facility can bridge the capital calls, providing the liquidity to meet them without the family office holding large idle cash balances or selling assets, smoothing the liquidity management of the private equity programme. Other uses include diversifying the family office wealth beyond the private equity portfolio, distributing to the principals, and managing the family office overall liquidity.

The uses are central to managing a private equity programme, which has a distinctive liquidity profile of capital calls and distributions over time. A family office running a private equity programme must manage the liquidity to fund new commitments, meet capital calls, and provide for its needs, all while its capital is locked in the funds. The NAV facility is a tool for managing this liquidity, releasing the locked value to fund the commitments, bridge the calls, and meet the needs, smoothing the liquidity profile of the programme. This portfolio-liquidity-management use is the principal value of the facility, beyond simple liquidity access.

5. NAV Facility versus Selling Fund Interests

The alternative to a NAV facility, for a family office seeking liquidity from its private equity portfolio, is to sell some of its fund interests in the secondary market, and Figure 4 compares the cost of the two. Selling fund interests in the secondary market incurs a discount to net asset value, often substantial, because secondary buyers require a discount for the illiquidity, the uncertainty, and their own return, and the family office forfeits the future returns of the interests it sells. The NAV facility, by contrast, releases liquidity at the facility cost, a modest interest rate, while retaining the interests and their future returns.

Figure 4. Cost of Accessing Liquidity: Selling versus NAV Facility



The NAV facility releases liquidity at a far lower cost than a secondary sale discount. Not a forecast.

The comparison strongly favours the NAV facility for accessing liquidity while retaining the portfolio. Selling fund interests at a secondary discount of, say, fifteen to twenty-five percent forfeits a substantial part of the value and the future returns, whereas the NAV facility releases the liquidity at a cost of a modest interest rate while retaining the full portfolio. For a family office that wishes to retain its portfolio and its future returns, and that needs liquidity temporarily or for redeployment, the NAV facility is far cheaper than selling, releasing the liquidity without the discount and without forfeiting the future returns.

The NAV facility is preferable to selling whenever the family office wishes to retain its portfolio and the liquidity need is temporary or for value-creating redeployment, which is the common case. Selling fund interests makes sense only when the family office genuinely wishes to reduce its private equity exposure permanently, not merely to access temporary liquidity; for temporary liquidity or redeployment, the facility is far cheaper. A family office should therefore default to the NAV facility for accessing liquidity from its portfolio, reserving secondary sales for genuine, permanent reductions of its exposure, because the facility releases the liquidity at a fraction of the cost of selling.

6. The Framework

The framework for a family office considering a NAV facility is to use it for temporary liquidity and value-creating redeployment while retaining the portfolio, at a conservative loan-to-value that provides a comfortable cushion. A family office that needs liquidity to fund new commitments, bridge capital calls, diversify, or meet a need, and that wishes to retain its portfolio and its future returns, should use a NAV facility at a conservative loan-to-value, accessing the liquidity at a modest cost while retaining the portfolio. The framework directs the family office to the facility for these uses, in preference to selling.

The framework requires the loan-to-value to be conservative, providing a cushion against a decline in the portfolio value. A family office should borrow conservatively, around twenty to thirty percent of the portfolio value, leaving a comfortable cushion that absorbs a decline before any covenant breach, rather than borrowing aggressively against the portfolio. The conservative loan-to-value is central to the framework, providing the safety that makes the facility prudent, and a family office that borrows conservatively can use the facility safely, while one that borrows aggressively risks a covenant breach in a decline.

The framework also weighs the facility cost against the use, requiring the released liquidity to be deployed at a return exceeding the cost, or to meet a need that justifies the cost. A family office using the facility to fund new commitments or to diversify should ensure the commitments or the diversified assets earn above the facility cost; one using it to meet a need should weigh the cost against the value of meeting the need. For the common uses, funding commitments, bridging calls, diversifying, the facility cost is modest relative to the value, making the facility clearly worthwhile, but the family office should confirm this for its specific use. The framework, using the facility for the right purposes at a conservative loan-to-value, guides its prudent use.

7. The Protections

A NAV facility includes protections that the lender requires, illustrated in the structure, principally a loan-to-value covenant, a cash sweep, and diversification tests. The loan-to-value covenant requires the loan-to-value to remain below a level, typically well above the conservative starting level, so that a decline in the portfolio value that raised the loan-to-value toward the covenant would require the family office to repay part of the loan or post additional security. The cash sweep directs a portion of the portfolio distributions to repay the loan, deleveraging the facility over time as the portfolio distributes.

The diversification tests require the portfolio to remain diversified, across funds, managers, vintages and strategies, so that the lender security remains the diversified, stable portfolio it underwrote rather than becoming concentrated. These protections, the loan-to-value covenant, the cash sweep, and the diversification tests, protect the lender by ensuring the loan-to-value remains conservative, the loan deleverages over time, and the security remains diversified. They are the lender principal protections, alongside the conservative starting loan-to-value, and they make the facility safe for the lender.

The protections also shape the family office use of the facility. The cash sweep means the facility deleverages over time as the portfolio distributes, so it is a self-amortising facility rather than a permanent loan, suiting a temporary or bridging use. The loan-to-value covenant and the conservative starting level mean the family office must maintain a cushion and avoid over-borrowing. The diversification tests mean the family office must maintain a diversified portfolio. A family office using the facility must operate within these protections, which align with prudent use, borrowing conservatively against a diversified portfolio for a temporary or redeployment purpose, and a family office that uses the facility prudently operates comfortably within them.

8. The Lender Perspective

NAV facilities are provided by specialist lenders, private banks and private credit funds, and understanding their perspective is essential. The lender underwrites the diversified private equity portfolio as its security, assessing the quality, diversification, and value of the fund interests, and the family office overall financial position. It lends at a conservative loan-to-value against the diversified portfolio, relying on the diversification to stabilise the value and on the conservative loan-to-value and the protections to ensure its security in a decline. The lender is comfortable lending against the portfolio because the diversification and the conservative loan-to-value reduce its risk.

The lender focus is on the quality and diversification of the portfolio and the conservatism of the loan-to-value. A high-quality, well-diversified portfolio, across strong managers, multiple vintages and varied strategies, provides a stable, predictable value that the lender can lend against confidently; a concentrated or low-quality portfolio provides a less stable value that the lender lends against more cautiously. The conservative loan-to-value gives the lender its cushion against a decline. A family office with a high-quality, diversified portfolio seeking a conservative loan-to-value gives the lender the comfort it needs, and accesses the facility on good terms.

Understanding the lender perspective tells the family office how to access a NAV facility well. It should present a high-quality, well-diversified portfolio, request a conservative loan-to-value, and demonstrate its overall financial position and its ability to manage the facility, to give the lender the comfort it needs and access the facility on good terms. A family office with a strong, diversified portfolio and a conservative request accesses the facility readily and cheaply; one with a concentrated or weak portfolio, or an aggressive request, finds it harder and more expensive. The quality and diversification of the portfolio and the conservatism of the request are the keys to accessing the facility well.

9. Risk Considerations

NAV facilities carry risks that the family office must manage. The principal risk is a decline in the portfolio value that raises the loan-to-value toward the covenant, which a conservative starting loan-to-value mitigates by providing a cushion. A family office that borrows conservatively has a comfortable cushion against a decline, while one that borrows aggressively risks a covenant breach in a downturn, which could require it to repay part of the loan or post additional security at a difficult moment. The conservative loan-to-value is the principal protection against this risk, which is why the framework emphasises it.

A second risk is the valuation risk: private equity net asset values are estimates that can be revised downward, particularly in a downturn, which would raise the effective loan-to-value even without a sale. A family office should recognise that the net asset values securing the facility are estimates that can decline, and that a downward revision could raise the loan-to-value, which is a further reason for a conservative starting level. A third risk is the distribution risk: if the portfolio distributions slow, the cash sweep that repays the facility slows, extending the facility, though this is mitigated by the facility structure and the conservative loan-to-value.

A broader risk is the over-leverage risk, where a family office uses the NAV facility to fund new commitments, increasing its private equity exposure while borrowing against it, building leverage on an illiquid portfolio. If the portfolio then declines, the family office faces both the decline and the leverage, which could strain its position. A family office should maintain prudent overall leverage, using the NAV facility to manage liquidity and fund a sensible programme rather than to over-extend its private equity exposure. The risk is at the level of the family office overall leverage and exposure, not just the individual facility, and managing it requires a prudent view of the whole.

10. Considerations Specific to the GCC

The GCC has a substantial and growing population of family offices with significant private equity portfolios, built through the region wealth and its growing allocation to private markets, which creates substantial demand for NAV facilities. As GCC family offices build their private equity portfolios, examined in companion papers on the allocation shift and portfolio construction, they increasingly face the liquidity management challenges that NAV facilities address, and the demand for these facilities is growing. The region developed private banking and private credit markets supply them.

The region family offices, with their growing private equity programmes, face the distinctive liquidity profile of capital calls and distributions that NAV facilities help manage, and they value the ability to access liquidity without selling their interests at a discount. A regional family office building a private equity programme can use a NAV facility to fund its commitments, bridge its capital calls, and manage its liquidity, smoothing the programme and avoiding the need to hold large idle cash or sell at a discount. The facility is a valuable tool for the region growing population of private-equity-investing family offices.

The compliant dimension applies here too, and Shariah-compliant NAV facilities, structured to comply with the requirements on interest and the underlying assets, are available for the compliant family offices and portfolios. A family office seeking compliant financing can access compliant structures, and a lender able to offer them serves the compliant demand. The availability of both conventional and compliant NAV facilities is a feature of the developed regional market, ensuring that the full range of family offices can access the liquidity-management benefits of the facilities. The growing regional family office sector, with its private equity portfolios and its compliant requirements, is well-served by the developing NAV facility market.

11. Indicative Case Studies

Three indicative cases show NAV facilities in action. The figures are synthetic and constructed for analytical clarity, not drawn from any specific transaction.

11.1 Case A: funding new commitments

Case A is a family office that wishes to make new private equity commitments to maintain its programme and its vintage diversification, which uses a NAV facility at a conservative loan-to-value to fund the commitments, rather than waiting for distributions or selling interests. The facility releases the liquidity to fund the new commitments, sustaining the programme, and it is repaid from the portfolio distributions over time through the cash sweep. The case illustrates the principal use, funding new commitments to sustain the programme, at a conservative loan-to-value.

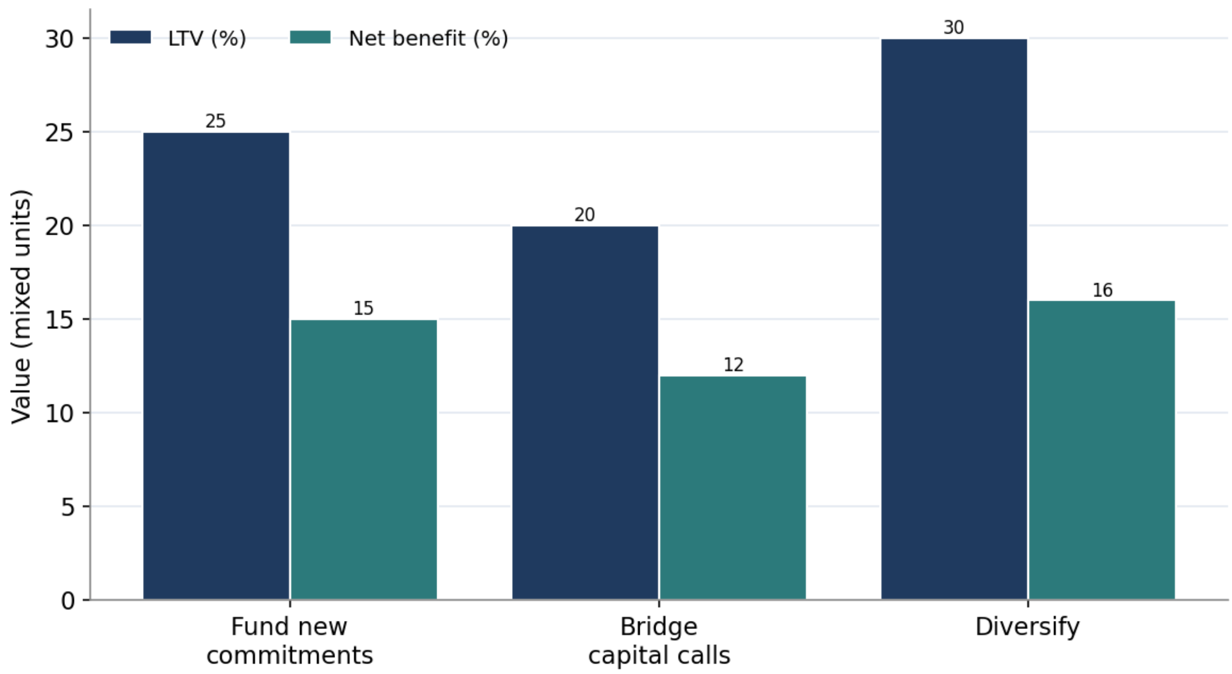
11.2 Case B: bridging capital calls

Case B is a family office facing capital calls from its private equity funds, which uses a NAV facility to bridge the calls, providing the liquidity to meet them without holding large idle cash balances or selling assets. The facility bridges the calls, smoothing the family office liquidity management, and it is repaid as the portfolio distributes. The case illustrates the liquidity-management use, bridging capital calls to smooth the programme, avoiding the need for idle cash or asset sales.

11.3 Case C: diversification

Case C is a family office whose wealth has become concentrated in its private equity portfolio, which uses a NAV facility to release liquidity to diversify into other assets, reducing its concentration while retaining the portfolio. The facility releases the liquidity to diversify, reducing the concentration risk, while the family office retains its private equity portfolio and its future returns. The case illustrates the diversification use, reducing concentration risk while retaining the portfolio, at a conservative loan-to-value.

Figure 5. LTV and Net Benefit by Use



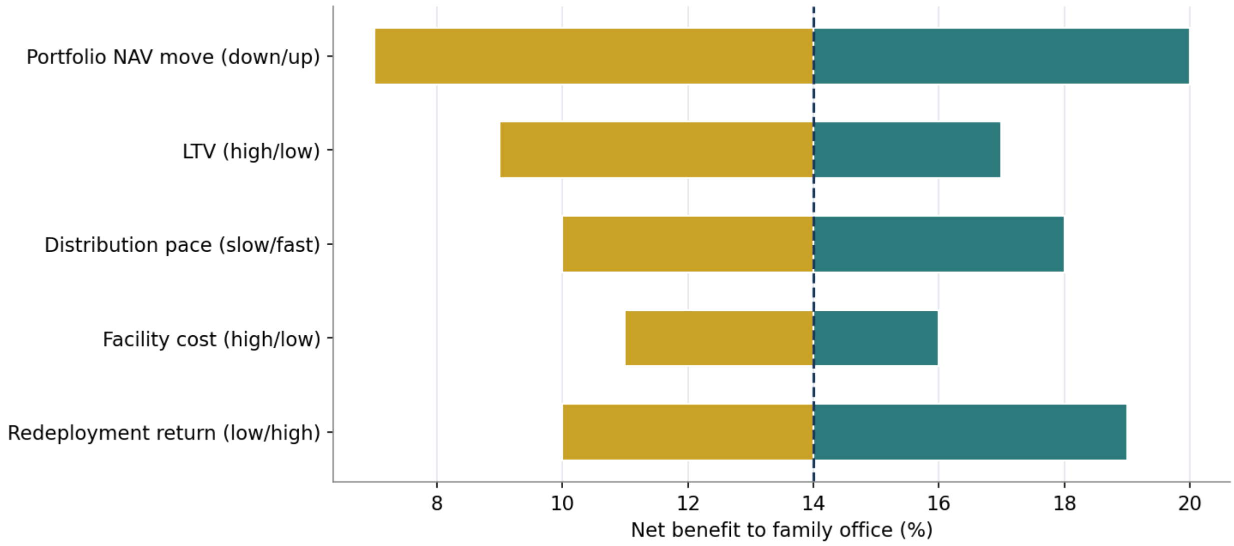
Synthetic figures for analytical comparison. Not a forecast.

Figure 5 compares the three cases on the loan-to-value and the net benefit. Each uses a conservative loan-to-value and achieves a meaningful net benefit, releasing liquidity for a valuable use at a modest cost while retaining the portfolio. The comparison illustrates the framework in action, using the facility for the valuable uses, funding commitments, bridging calls, diversifying, at a conservative loan-to-value, and the consistent net benefit the facility provides relative to the alternative of selling at a discount or holding idle cash.

12. Sensitivity and Scenario Analysis

A tornado analysis identifies the variables that most influence the net benefit of a NAV facility. Figure 6 presents the result.

Figure 6. Sensitivity of Net Benefit to Key Variables



Each bar shows the net benefit when the labelled variable moves to its low or high case. Dashed line is the base case. Indicative.

The analysis shows that the portfolio NAV move and the loan-to-value dominate the net benefit, with the distribution pace, the facility cost, and the redeployment return also significant. The prominence of the portfolio NAV move reflects the central risk: a decline in the portfolio value raises the loan-to-value and can threaten the covenant, reducing the benefit, while an increase enhances it. The loan-to-value matters because it determines the cushion against a decline. The sensitivity confirms that managing the loan-to-value conservatively, to provide a cushion against a NAV decline, is the central discipline, as the framework emphasises.

Table 2. Scenario Matrix for NAV Facility

Scenario	Portfolio NAV	LTV	Outcome
Favourable	Rising	Conservative	Liquidity released, comfortable
Base	Stable	Conservative	Liquidity released, managed
Mild stress	Declining	Conservative	Cushion absorbs decline

Severe stress	Falling sharply	Aggressive	Covenant pressure

Indicative scenarios. Not a forecast.

The scenario matrix shows that a conservative loan-to-value allows the facility to weather a decline in the portfolio value comfortably, with the cushion absorbing the decline, while an aggressive loan-to-value risks covenant pressure in a sharp decline. The difference between the comfortable and the pressured outcomes depends on the loan-to-value, the variable the family office controls. The matrix underlines that the conservative loan-to-value is the key to using the facility safely, providing the cushion that allows it to weather a decline, and that a family office that borrows conservatively can use the facility through a downturn while one that borrows aggressively risks covenant pressure.

13. International Comparison

NAV-based facilities are an established and growing part of private markets finance internationally, used by family offices, funds-of-funds, and increasingly by private equity funds themselves to manage liquidity against their portfolios. The structures, the conservative loan-to-value norms, and the protections are well developed, and the facilities have become a standard liquidity-management tool for holders of private equity portfolios. The GCC market is developing these facilities for its growing population of private-equity-investing family offices, drawing on the established international practice.

The international experience offers lessons for the regional market. It shows that NAV facilities are a valuable, durable liquidity-management tool, that the conservative loan-to-value is essential to their safety, and that they have grown rapidly as private equity portfolios have grown. It also shows, through the recent growth and some controversy around NAV facilities used by private equity funds themselves, that the facilities can be misused if the leverage is excessive or the purpose is to mask poor performance, which underlines the importance of prudent use. The regional market can draw on the international practice while heeding the lesson that prudent, conservative use is essential to the facilities serving their purpose safely.

14. Common Errors and How to Avoid Them

A recognisable set of errors recurs in the use of NAV facilities.

- **Aggressive loan-to-value.** Borrowing aggressively against the portfolio leaves little cushion against a NAV decline. The remedy is a conservative loan-to-value.
- **Selling instead of borrowing.** Selling fund interests at a secondary discount when a NAV facility would release the liquidity more cheaply forfeits value. The remedy is to use the facility for temporary liquidity and retain the portfolio.
- **Over-extending exposure.** Using the facility to over-extend the private equity exposure builds leverage on an illiquid portfolio. The remedy is to maintain prudent overall leverage and exposure.
- **Ignoring valuation uncertainty.** Ignoring the valuation uncertainty of the net asset values underestimates the risk of a covenant breach in a downturn. The remedy is to use a conservative loan-to-value that allows for a NAV revision.

Each of these errors is avoidable through the prudent approach the framework encourages: borrow conservatively, use the facility rather than selling for temporary liquidity, maintain prudent overall leverage, and allow for valuation uncertainty. The family office that does so uses the facility safely and beneficially, while the one that does not risks covenant pressure, forfeits value, or over-extends its exposure.

15. Implementation Roadmap

1. Assess the private equity portfolio, its quality, diversification and value, to determine the loan-to-value and the facility it supports.
2. Determine the use of the liquidity, funding commitments, bridging calls, diversifying, or managing liquidity, and confirm it justifies the facility cost.
3. Set a conservative loan-to-value, around twenty to thirty percent, to provide a comfortable cushion against a NAV decline and a downward revision.
4. Prefer the NAV facility to selling fund interests for temporary liquidity and redeployment, retaining the portfolio and its future returns.
5. Maintain a diversified portfolio to satisfy the diversification tests and support the facility, and operate within the protections.
6. Maintain prudent overall leverage and private equity exposure, using the facility to manage liquidity rather than over-extend.
7. Present a high-quality, diversified portfolio and a conservative request to the lender to access the facility on good terms.

16. Strategic Perspective: Liquidity Management for the Private Markets Family Office

The strategic value of NAV facilities is that they enable a family office to manage the distinctive liquidity profile of a private equity programme, the capital calls and distributions over time, without holding large idle cash balances or selling interests at a discount. A family office running a substantial private equity programme faces a continual liquidity-management challenge, and the NAV facility is a key tool for it, releasing the locked value to fund commitments, bridge calls, and manage liquidity, smoothing the programme and improving its efficiency. The facility is part of the sophisticated management of a private markets portfolio.

For the region growing population of private-equity-investing family offices, building the capability to use NAV facilities is part of building a sophisticated private markets programme. As regional family offices build their private equity portfolios, examined in companion papers, they must build the liquidity-management capability to run the programmes efficiently, and the NAV facility is a central tool for it. A family office that builds this capability can run a larger, more efficient private equity programme than one that must hold idle cash or sell at a discount to manage its liquidity, which is a meaningful advantage in building private markets wealth.

The broader strategic point is that managing the liquidity of a private markets portfolio is as important as selecting the investments, and that the NAV facility is a key tool for it. A family office that selects good investments but manages its liquidity poorly, holding idle cash or selling at discounts, earns less than one that manages its liquidity efficiently with tools like the NAV facility. The liquidity-management capability, of which the NAV facility is a central part, is therefore a key element of a sophisticated private markets programme, and the family office that builds it manages its private markets wealth more efficiently. The NAV facility, used prudently, is an important tool for the modern private markets family office.

17. Conclusion

NAV-based facilities release liquidity against a family office private equity portfolio as a whole, at a conservative loan-to-value, without requiring the family office to sell its fund interests. This paper has argued that the facilities release liquidity at a far lower cost than selling fund interests at a secondary discount, that the conservative loan-to-value provides a comfortable cushion against a decline in the portfolio value, and that they are a valuable liquidity and portfolio-management tool for family offices with substantial private equity portfolios, used to fund commitments, bridge capital calls, diversify, and manage liquidity.

The facilities enable a family office to manage the distinctive liquidity profile of a private equity programme efficiently, without idle cash or discounted sales, and building the capability to use them is part of building a sophisticated private markets programme. For the region growing population of private-equity-investing family offices, the NAV facility is an increasingly important tool, and using it prudently, at a conservative loan-to-value for the right purposes, allows a family office to run a larger, more efficient programme. The frameworks in this paper are intended to help GCC family offices use NAV facilities prudently to manage their private equity portfolios.

18. Limitations and Directions for Further Research

This paper is framework-oriented and relies on indicative data, and its conclusions are directional rather than precise. The loan-to-value, cost and discount figures are calibrated to observable conditions but are not empirical estimates, and they vary with the portfolio and the lender. The net asset values that secure the facilities are estimates subject to revision, which the analysis treats indicatively.

Several extensions would strengthen the analysis. An empirical study of NAV facility terms and use among GCC family offices would replace the indicative figures with data. An analysis of secondary market discounts for fund interests would sharpen the comparison with selling. And a study of how NAV facilities perform through a private equity downturn, when net asset values decline, would illuminate the central risk. Each is a natural subject for a later paper in this series.

Appendix A. Base Case Assumptions

Table 3. Base Case Assumptions

Parameter	Value	Parameter	Value
Loan-to-value	~20-30%	LTV covenant	~40%
Facility cost	~8-10%	Secondary sale discount	~15-25%
Cash sweep	From distributions	Diversification tests	Required
Security	Portfolio NAV	Repayment	Self-amortising
Currency	AED (USD peg)	Compliant option	Available
Principal use	Liquidity management	Provider	Private banks / credit

Indicative parameters used to generate the figures and case studies. Not transaction-specific.

Appendix B. Glossary of Terms

Table 4. Glossary of Key Terms

Term	Definition
NAV facility	A loan secured by the net asset value of a portfolio.
Net asset value	The estimated value of the fund interests in the portfolio.
Loan-to-value	The loan as a proportion of the portfolio NAV.
Capital call	A private equity fund demand for committed capital.
Distribution	A return of capital and gains from a fund to its investors.
Cash sweep	Directing distributions to repay the facility.
Diversification test	A covenant requiring the portfolio to remain diversified.
Secondary sale	Selling fund interests in the secondary market.
Vintage	The year a private equity fund begins investing.
Self-amortising	A facility that repays over time from distributions.

Definitions provided for reference.

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About the Author

Chennakeshav Adya is an independent researcher and corporate finance practitioner with more than twenty years of international experience across business strategy, transformation, and strategic finance. He has originated and led transactions across real estate, technology, and clean energy in the UAE, the United Kingdom, India, Europe, and the Americas, and has advised developers, corporates, family offices, and fund managers on capital raising and structuring. He is a guest speaker at London Business School and writes on startups, capital markets, and the application of technology in finance. The views expressed in this paper are his own and do not constitute investment advice.