



Financing the Economy 2016

The role of alternative asset managers in the non-bank lending environment

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LENDING
FOR GROWTH

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Foreword from Deloitte

Will Brexit accelerate the growth of the non-bank lending market?

We are delighted to have been involved in working alongside the Alternative Credit Council on this important research paper *Financing the Economy 2016*.

Times of upheaval create winners and losers and the financial crisis of the last decade is no exception. While banks have been forced to take a more cautious view of their investments and lending strategies in the light of Basel III capital requirements imposed on them, alternative lenders have stepped into the breach, providing companies and sponsors with debt offerings that range from private placements and more traditional senior debt through to unitranche, growth capital and structured equity. The growth of the market is evidenced by the global fundraising total seen in 2015, at \$36.0bn¹, up from just \$22.4bn in 2013.

Alternative lenders consist of a wide range of non-bank institutions with different strategies including private credit, mezzanine, opportunity and distressed debt. These institutions range from larger asset managers diversifying into alternative debt to smaller funds newly set up by ex-investment professionals. Most of the funds have structures comparable to those seen in the private equity industry with a three to five year investment period and a 10 year life with extension options. The investors in these funds are typically insurance, pension, private wealth, banks or sovereign wealth funds. Over the last three years a significant number of new funds have been raised in Europe. Increased supply of alternative lender capital has helped to increase the flexibility and optionality for borrowers.

The US already had a well-developed non-bank lending market pre-crisis, but it's in Europe where growth has really taken hold for private credit funds over recent times. Indeed, in 2015, according to the latest figures fundraising for Europe-focused direct lending vehicles surpassed that for North America-focused funds, with just nearly \$19bn raised for the former over the year and \$14.9bn garnered by the latter. Much of this growth was accounted for by some particularly large fundraisings in Europe, with three of the largest five funds of 2015 specifically Europe-focused and the other two with significant allocations to Europe.

While the figures so far suggest that 2016 may not be such a stellar year for direct lending fundraising globally and particularly in Europe – in part because fundraising totals are often lumpy in relatively nascent markets – the fact is that many investors now view direct lending as an important part of their investment strategy. What may have started as a means to generate yield in a low interest environment for many investors has now become an established means of generating stable returns and for some a way of diversifying their portfolios.

Clearly, now is a time of further upheaval in the immediate aftermath of the EU referendum result in the UK on 24 June 2016. In the UK mid-market, Brexit is likely to mean in the short term a flight to quality by bank lenders and more restrictive financing conditions until there is more visibility on what the ramifications will be for the UK and European markets and the potential contagion in market confidence globally. As banks are likely to become more risk averse, we expect this will create opportunities for alternative lenders who have locked in capital to target those companies neglected by banks, therefore accelerating the growth of the non-bank lending market further.



Floris Hovingh – Head of Alternative Capital Solutions, Deloitte



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¹ Deloitte Alternative Lender Deal Tracker Q1 2016.

Foreword from the Alternative Credit Council

I am delighted to introduce the new paper from the Alternative Credit Council and Deloitte, *Financing the Economy 2016*. These are exciting times for alternative finance as the industry continues to establish itself as a credible alternative to traditional sources of lending.

The benefits of alternative finance are clear. Not only are their businesses streamlined and specialised enough to move quickly on behalf of borrowers, they also do so in a way that is beneficial for the overall economy. Our research shows that levels of fund leverage continue to be negligible and the closed-end structure of the funds means that borrowers will have access to a stable source of long-term finance. This is because investors cannot ask for the return of their monies until the underlying investments have run their course. The high levels of expertise also mean that a rigorous credit selection process can help fund borrowers with sound business ideas that banks may deem too risky to support. The biggest endorsement for private credit is the level of repeat business it generates. Borrowers enjoy working with alternative lenders and continue to see the value that they add over and above banks.

While the US continues to dominate in terms of size and activity, Europe has made great strides in opening up to direct lending. European markets are now considered the most attractive destination for fundraising in direct lending², a major part of the private credit universe. The high levels of dry powder³ also indicate the enormous potential of the European private credit market and its current capacity. In conjunction, the number of capital market transactions are growing. Over the past year, 262 transactions have been completed by 46 alternative lenders⁴ in Europe alone, compared to 243 and 164 transactions for the two preceding years.

It is now possible for private credit funds to lend in both Germany and Italy, with France and many others soon to follow suit. The European Long Term Investment Fund vehicle also offers a harmonised solution at least for a certain segment of the market. I expect more to embrace this vehicle as they become aware of the benefits that it brings.

The market environment provides favourable circumstances for alternative finance as banks continue to deleverage. As the recovery from the crisis continues, business innovation and demand for credit shows little signs of slowing. In response, alternative lenders are primed and ready to continue to fill the lending gap.

Much has been made of how banks fit into the picture as alternative lenders continue to expand their share of the market. We see a cooperative relationship occurring and one only has to look at the capital markets in the United States to see that the two can quite happily coexist.

More pressing however are the inconsistencies between policymakers' opinion pieces and regulatory action. The benefits securitisation could bring to financing small and medium sized enterprises (SMEs) are widely acknowledged; yet the CLO rules both in the US and EU still create substantial issues for the industry.

We operate in a highly regulated and sophisticated industry where investors ultimately bear the risk of their decisions. We retain hold of the assets we generate and manage. Further, we owe fiduciary duty to our investors resulting in a tighter alignment of interests where we are remunerated when we both succeed.

Nonetheless, we continue to be impacted by a range of restrictions leaving us to operate in a more challenging environment. The role of capital markets should be to provide risk capital to the economy. Removing structural barriers over the ability to originate loans outside the banking system will increase diversity of credit markets and enable us to provide better outcomes for consumers and the wider real economy.



Stuart Fiertz, Chairman
Alternative Credit
Council and President
Cheyne Capital

2 According to Preqin data in 2015, \$18.8bn was raised for European funds, whilst \$12.9bn was raised with a North American focus.

3 This refers to the cash, liquid securities or undrawn investor commitments that are kept on hand to purchase additional assets.

4 Deloitte Alternative Lender Deal Tracker which tracks primarily mid-market deals across Europe with up to €300m of debt, Q2 2015 – Q1 2016.

Introduction

Last year the Alternative Credit Council and Deloitte published *Financing the Economy*⁵, that provided an introduction to the quiet revolution taking place in the way that companies secure their finance. With additional regulatory pressure on their balance sheets, the report concluded that banks were being replaced by alternative asset managers in a lending capacity. This year, the reach of our participants has been extended to a global perspective and focuses on the value alternative lenders deliver to borrowers and investors.

The results of this year's survey has seen an emergence of several new themes. Whilst alternative lenders often compete with banks in the provision of capital, there is a more cooperative approach between banks and alternative lenders in other areas of business. Two thirds of alternative lenders in our survey are in collaboration with banks to source credit opportunities. Many alternative lenders would not exist without the help of banks and a number of borrowers are actively seeking partnerships that include both traditional and alternative lenders.

Alternative lenders have been able to demonstrate real added value over and above banks in a number of ways. Specialisation has meant that these smaller, more nimble businesses can offer sophisticated solutions that are much faster and more tailored to the needs of the borrowers. Over 40% of the alternative lenders surveyed feel that target companies value the flexibility of terms most about private credit.

Only 4% of our sample of manager respondents deploy leverage at more than two times net asset value (NAV) at fund level and nearly 80% have closed-end fund structures. Contrary to public perception, these businesses operate in a stable environment, with low levels of staff turnover. Management have typically been in place since their inception and the retention of key members of staff is paramount to their ongoing success.

The research for this paper was carried out prior to the UK voting to leave the European Union in the recent referendum held in June 2016. After the UK voted to leave the EU, the European Commission President Jean-Claude Juncker stated that Mr Dombrovskis, the new European Commissioner for Financial Stability, would ensure continuity of the Capital Markets Union. Both AIMA and the Alternative Credit Council will engage with UK and EU authorities to ensure that the transition does not disrupt the development of deeper and more diverse capital markets in Europe at large.

Special thanks must be made to the Board of the Alternative Credit Council, its members and to Deloitte for their support in the production of this paper. We hope that this publication will increase the awareness and understanding of the important role that alternative lenders are playing in the development of the global economy.



Jack Inglis, AIMA CEO

5 "Financing the Economy: The role of alternative asset managers in the non-bank lending environment", AIMA, May 2015.

Demographics of survey participants/ methodology

The findings contributing to this year's paper are formed from three distinct sources of research. Firstly, AIMA and Deloitte encouraged clients and alternative lenders to participate in an online quantitative survey, the results of which form the basis of this paper. Secondly, a number of managers were invited to take part in qualitative discussions to elaborate on the strategies employed in their private credit investments. Finally, alternative credit managers from the survey were invited to contribute a case study for the paper, to give practical examples of how alternative lenders are financing the real economy. These case studies can be found throughout the paper, with a number included in an appendix to the paper⁶.

Asset management companies that participated in this survey account for assets under management (AUM) of approximately \$670bn globally in total. Of this total, managers allocate approximately \$170bn to private credit investment strategies. The participants therefore account for approximately one third of the total private credit market according to the latest Preqin report⁷. Participants represent a diverse geographical background, with the majority based in either the USA (45%) or UK (34%).

⁶ In addition to the case studies that managers provided, a number were sourced from Private Debt Investor.

⁷ According to the 2016 Preqin Global Private Debt Report.

Figure 1: Headquarter locations of participants

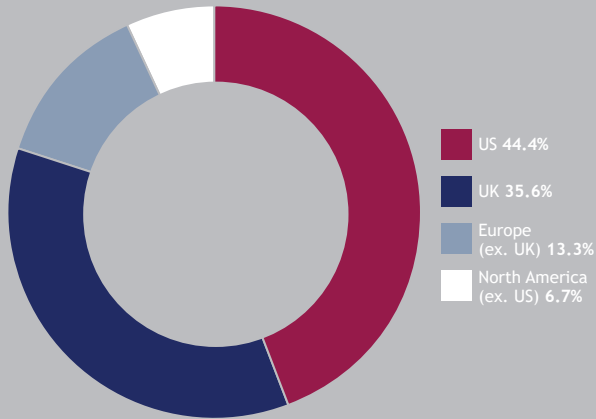


Figure 2: Asset size of participants in survey

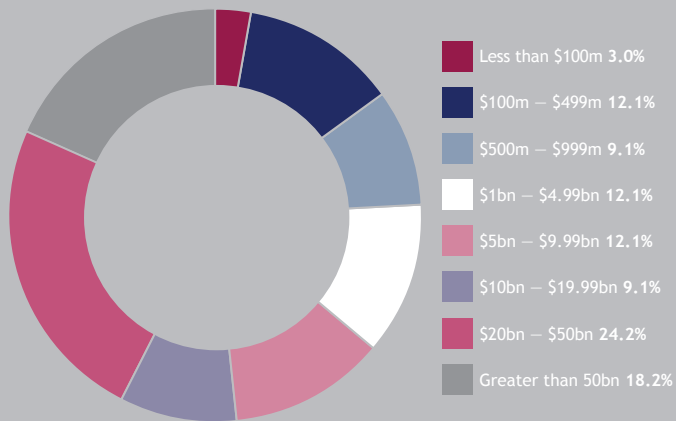
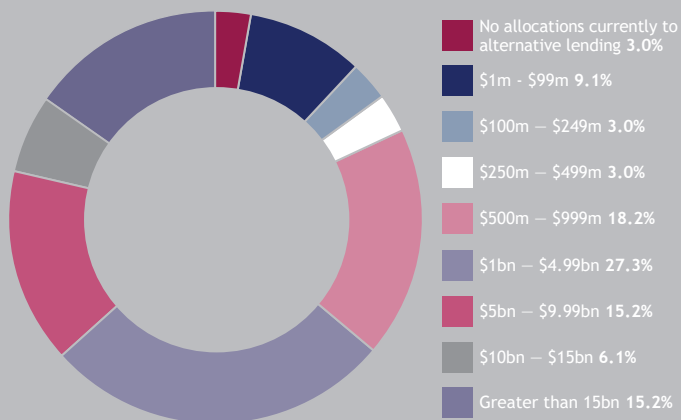


Figure 3: Assets mandated for alternative lending



Who are the parties in the private credit market?

Lenders

Alternative lenders come primarily from four different backgrounds. Some of the oldest companies in the business were always doing what they are doing now – providing direct credit to businesses. A significant portion of businesses come from a private equity or hedge fund background. Last but not least, there are also some traditional long only managers who have become extremely important in this space. So although all managers can be happily grouped together as ‘private credit’, there are considerable differences in the ways in which they operate and the type of risk exposures they are targeting. Some have a real estate focus, others are sector specific (perhaps looking at ‘unloved’ industries such as Financial Institutions Group (FIG) sector companies) while some focus only on markets and transactions of specific sizes. There is also a segment of alternative lenders whose focus is on distressed debt and lending to companies that are in financial difficulty.

More than half of managers surveyed have funds with a global focus while a significant portion maintain Europe focused vehicles. Looking across the entire universe of private credit in general, the majority of companies are agnostic about the sector and region that they invest in, preferring to search for sound businesses or projects that demonstrate strong potential for future growth.

As most alternative lenders that were surveyed have more than one fund, the investor composition and goals vary significantly across funds. Some seek to take a higher degree of risk and are therefore more focused on the lower end of the capital structure such as second lien or junior debt. Still, the most popular investment remains a senior secured loan. The majority of managers stated that they do not tend to lend across the capital structure on a single transaction. If a lender chooses to add a layer of senior debt into a transaction where it is already exposed to subordinated debt this may create a conflict of interest in the event of default, which is one of the main reasons it is avoided.

Figure 4: Geographical coverage of investments

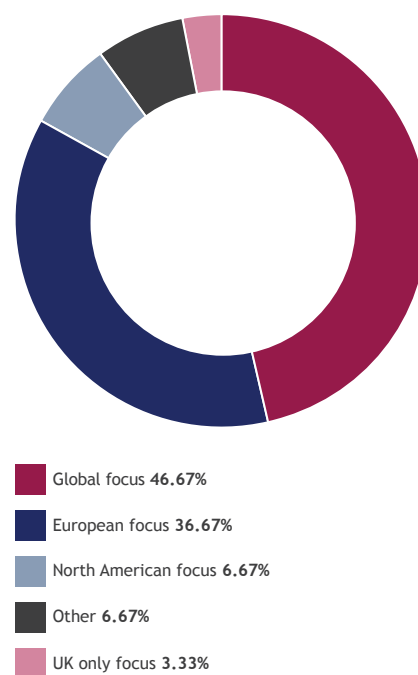
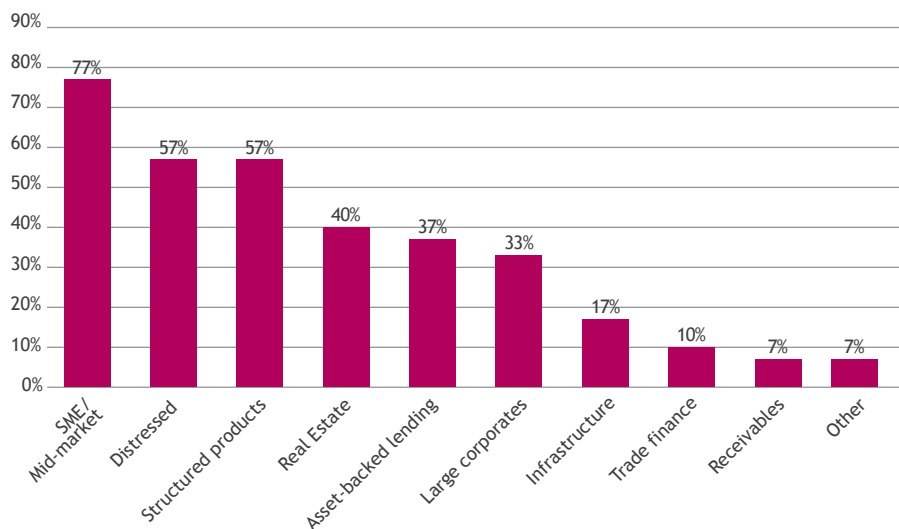
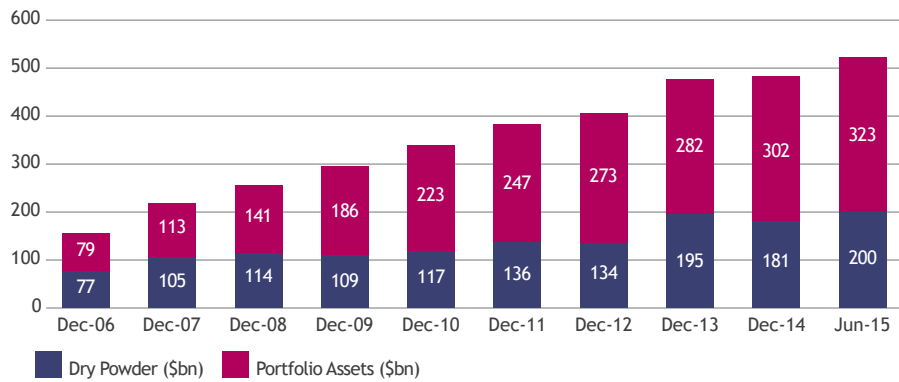


Figure 5: Private debt markets that alternative lenders participate in



During our manager interviews it became clear that there appears to be no shortage of capital in the industry and alternative lenders are in fact more limited by the ability to find the right opportunities.

Figure 6: Industry assets under management



Source: Preqin

Borrowers

The majority of borrowers tend to come from mid-market businesses⁸, who have been rejected for previous financing by either a bank or another alternative lender. Funding these businesses is crucial for economic development as, according to a recent study⁹, the European middle market generates around one third of private sector revenue and employs around a third of each country’s workforce. Real estate and asset-backed lending are also extremely important parts of the sector.

The loans are taken for the purposes of growth or refinancing. Across the population of managers that we surveyed, more than 80% state that additional funds are used for M&A activity and for further expansion of the respective businesses.

Figure 8: Purposes for financing

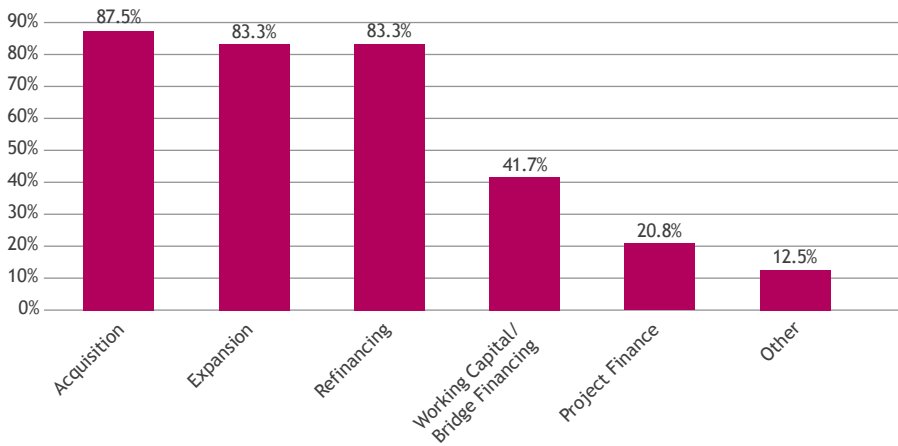
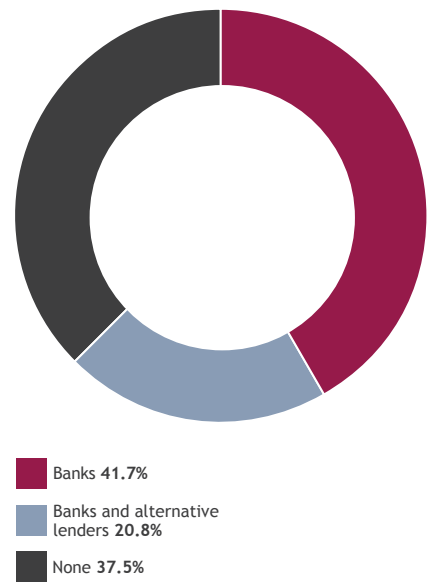


Figure 7: Lending routes prior to soliciting alternative lending



> 80%

of managers surveyed state that additional funds are used for M&A activity and for further expansion of the respective businesses.

8 In the EU, mid-market business are larger than the category of SMEs, that is defined as enterprises with fewer than 250 persons and an annual turnover not exceeding €50m and/or an annual balance sheet not exceeding €43m (Article 2, Annex of Recommendation 2003/361 EC).

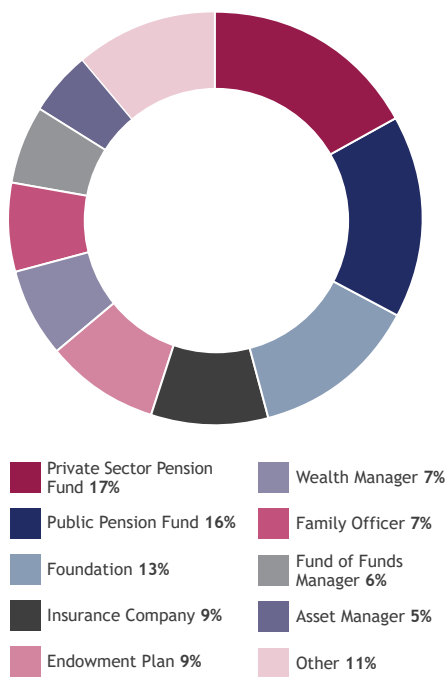
9 “The Mighty Middle”, GE Capital, June 2012.

Investors

Institutional investors such as pension funds and insurance companies are by far and away the largest investors into private credit. Most of the investor capital also comes from North America, as American investors are much more familiar with the asset class, given the maturity of the US private credit market.

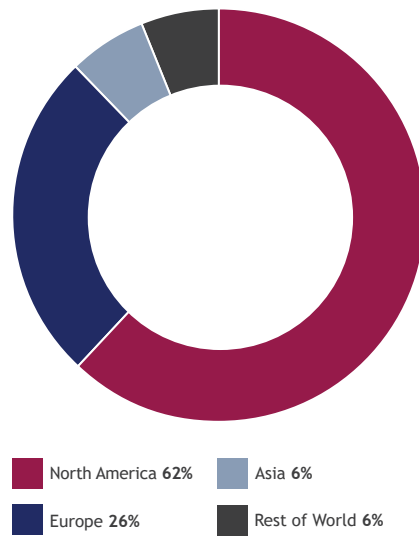
Institutional investors' preferences are also driving the nature of the underlying fund investments. They are seeking long-term, secure investments and so the majority of funds operate in senior secured debt tranches, with little-to-no leverage. Given their long-term time horizons, investors are able to tolerate more illiquidity and longer lock-ups compared to other investors¹⁰. Should investors seek larger returns associated with greater risk, rather than add leverage, alternative lenders will often move down the capital structure, or indeed offer unitranche financing¹¹. However, there is a growing segment of investors who prefer to add some leverage at the fund level to high quality assets.

Figure 9: Investors in private debt by investor type



Source: Preqin

Figure 10: Institutional investors in private debt by location



Source: Preqin

¹⁰ For more of a discussion on investor preferences, see “Portfolio Transformers,” AIMA, November 2015.

¹¹ This is a combination of senior and junior debt into a single financing tool than offers several key advantages. Borrowers only need to negotiate a single loan agreement and comply with one set of covenants (covered later), it can be cheaper than a blend of typical first and second lien financing and lenders of this structure will normally hold their loans through to maturity.

Key findings from the survey

1 Alternative lenders are continuing to finance the growth of the economy

a) Investing into mid-market companies and projects

Managers are mainly providing finance to borrowers who have an EBITDA¹² in excess of \$10m. The average size of the borrower as measured by EBITDA has increased from the survey of last year, with more than 50% of borrowers in the \$25m - \$75m category. There is an increasing trend towards lending to more established companies that exhibit a lower degree of risk. This is perhaps a reflection of the growing maturity of the market and the more discriminatory nature that alternative lenders are showing in their credit selection process.



KKR invests in UK packaging company

KKR has invested €100 million into UK packaging company Petainer UK Holdings. The investment will be used to assist in the refinancing of the company's capital structure and to grow. Petainer provides sustainable packaging for consumer goods such as alcoholic beverages, soft drinks, water and sauces.

b) Financing that is too small for the bond market

The size of the borrower has grown with the industry but the size of the individual loans granted is broadly similar to the results of last year. Our sample indicates that more than 90% of loans given are greater than \$5m in size and half of the loans finance between \$25m - \$100m. Typically, firms are able to access public bond market financing when their lending needs are between \$100m - \$300m so private credit lenders continue to fill an important financing gap for companies which cannot yet reach public markets.



Muzinich funds national security provider

Muzinich provided a £25m 6 year senior secured loan to Securus Group, a national provider of electronic security and life safety systems. The refinancing of existing borrowings will allow the company to pursue their growth strategy through a financing which does not amortise and provides committed acquisition financing. The process was completed alongside the Royal Bank of Scotland Structured Finance team, who provided revolving working capital credit.

Figure 11: Average size of borrowers by EBITDA

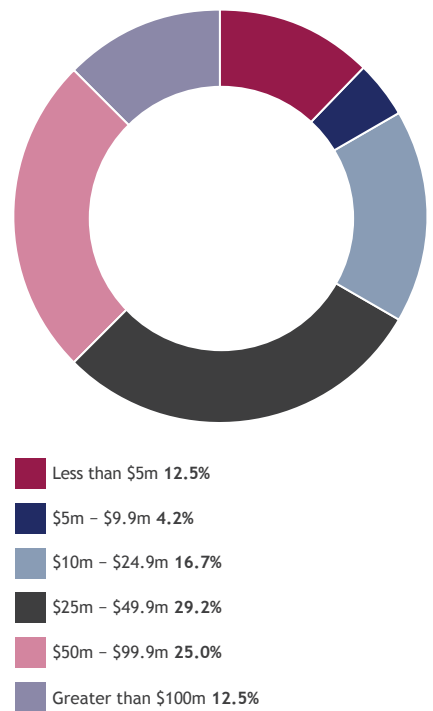
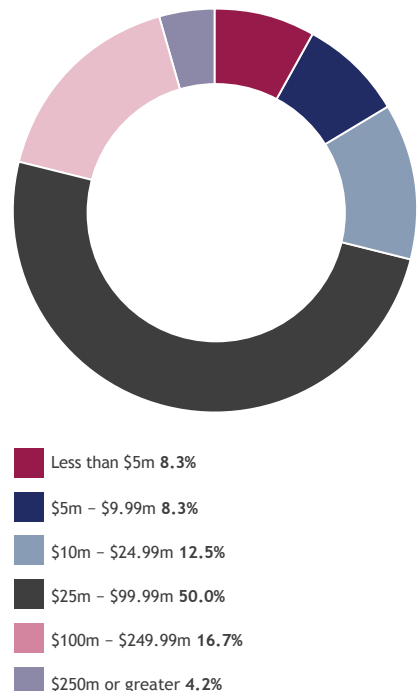


Figure 12: Typical loan/deal size



12 Earnings Before Interest, Tax, Depreciation and Amortisation – a common measure of the profit of a company.

c) Investment across a variety of sectors

Alternative lenders are agnostic about the industry that they invest into and prefer to search for sound businesses or projects instead. 40% of the managers surveyed invest into real estate projects and 17% into infrastructure. Investments such as these can provide a boost to economic growth and productivity, while also leading to positive spill-overs for the wider economy.



Cheyne Capital finances real estate initiative

Cheyne Capital provided an investment loan of £22.35 million to the Fusion Group for the conversion of a 15-storey office building in Bristol known as Froomsgate House into student housing. The funds helped Fusion Group finance the acquisition and will finance the planned development of the property into student accommodation with at least 438 beds. The development will benefit the students of Bristol, where the rent per bed is one of the highest in the UK.

2 Alternative lenders provide a number of advantages over traditional sources of finance

There are numerous advantages to alternative finance over bank lending. Our survey participants highlighted the following as key:

a) Flexibility of terms

Alternative lenders are able to structure payment schedules and the terms of the loan in more creative ways than banks. The structure and timing of a loan repayment including via forms of equity participation means that borrowers are often happy to incur higher financial costs for the flexibility on offer from alternative lenders. One area that is often negotiated includes the covenants¹³ attached to the financing. Many covenants go beyond pure financial indicators and can be structured in a way that is not a zero-sum game – the common misconception. One fund manager emphasised the importance of these agreements by suggesting that they should be carefully used to match a business plan. That way, a covenant would be in breach when the business operationally begins to struggle. For example, a loan to a hotel business can be structured so that there are covenants around the occupancy rates and average revenue per available room.



BlueBay develops online library company

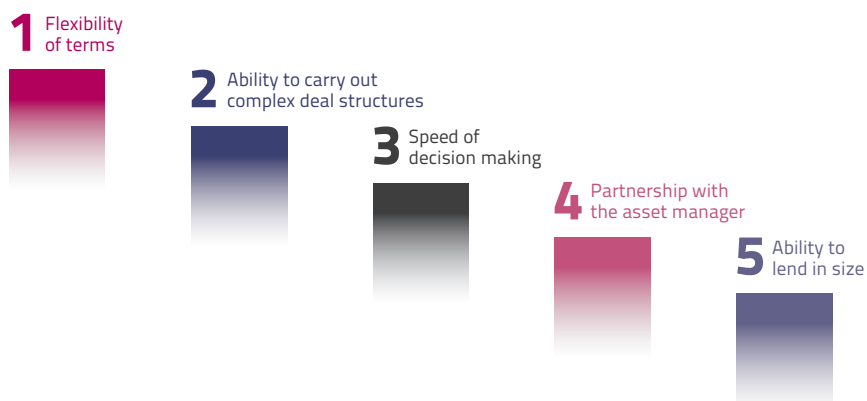
BlueBay Asset Management has provided a \$110 million loan to a library technology provider. The funds will be used to expand the group and although the loan is priced in dollars, the company has the option to draw down the funds in other currencies.



Babson refinances UK firm

Babson Capital co-arranged a £90 million refinancing package to a UK Business Services firm in March 2016. The deal, completed in partnership with a small club of traditional banks, is for a strong performing pension consultancy business. The result is an improvement in the efficiency of the capital base by replacing expensive equity with debt and increased the flexibility in terms of covenants for the borrower's operations.

Figure 13: Benefits of private credit investment



¹³ These are the rules that a borrower must adhere to on an ongoing basis in order to gain and keep access to the credit. They vary from financial ratios on profitability and leverage to measurable ratios on the operational efficiency of the borrower.

b) Ability to carry out complex deal structures

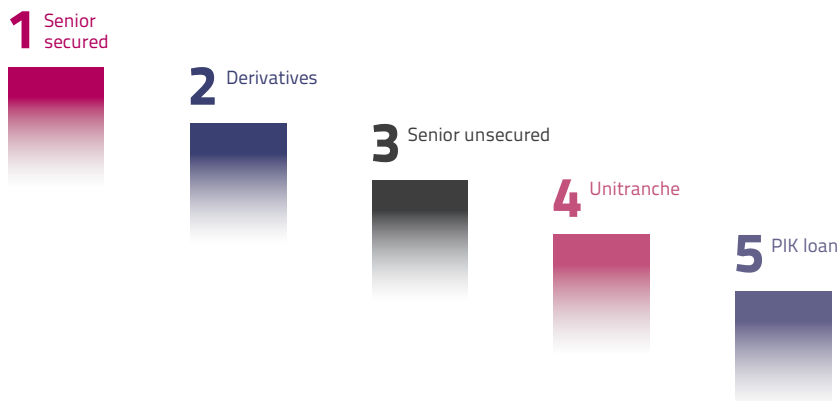
Alternative lenders have built up a great deal of expertise and are able to move away from the template structure of lending – a hallmark of bank financing. Given the regulatory pressure on loans from banks, anything that is structured in a more complex manner can be deemed to be higher risk and therefore attract higher risk weightings on bank balance sheets. The ability to put together a package that works in the best interests of the borrower over the course of its borrowing cycle, as well as safeguarding the long-term future of the business is an extremely valuable alternative to offer.



Chenavari loan vehicles helped fund European chemical company through the crisis

Chenavari provided a loan to Ineos Group, a leading global chemical company. The loan was structured as a CLO that provided a permanent source of financing, even at the bottom of the cycle during the Global Financial Crisis, when banks were unable to lend. The loan allowed Ineos to protect their workforce of 17,000 employees across 65 sites and 16 countries.

Figure 14: Capital structures that alternative lenders invest in



c) Speed combined with rigour and ability to lend in size

Following the specialisation of alternative lenders over the last seven years, they have been able to streamline operations, creating a more efficient process. Typically, due diligence prior to a loan being granted takes around 3 months, however, the flexibility of their workforces means that they can at times assign extra resource to a particular transaction in order to speed up the process. The reduced layers of management structure enable decision-making processes to be expedited. Most alternative lenders have the capability to organise a sign-off¹⁴ meeting in 24 hours, and in fact meet regularly anyway to ensure that they are kept up to date with any potential upcoming transactions.

Alternative lenders are presented with a very large volume of opportunities. During the course of our manager interviews, one stated that they will see between 500 to 600 credit opportunities per year and yet will be looking to lend to between 20 and 30 companies or projects. Another smaller, yet established fund, also commented that they receive 3 to 5 opportunities per week and will rule out 80% of those.

This therefore means that alternative lenders, while (or because of) often providing capital where it would otherwise not be extended (more than 60% of borrowers may have already been rejected financing elsewhere - shown in Figure 7) are very selective in the companies that they finally decide to invest into. The processes and rules used to decide amongst credit opportunities need to be rigorous. Alternative lenders therefore adopt a thorough, more direct approach when compiling their diligence report. As one manager stated, *'if you are having to make a deal work, then you know that it is too risky'*.

Finally, although the majority of loans occur in the middle market, there is also a growing trend of larger transactions. A number of established alternative lenders are now in a position to complete on large deals which presents yet another competitive advantage.



Ares leads \$1 billion syndicated loan

Ares Capital is serving as lead arranger of a \$1.075 billion loan facility for Thoma Bravo's pending acquisition of Qlik Technologies, a data analytics company. Following the commitment of other arrangers, a portion of the facility was syndicated across a number of other alternative lenders and institutions. The ability to complete a transaction of this size and in such timely fashion was particularly attractive to its sponsor.

d) Long-term relationship model

Alternative lenders look to build long-term relationships with the businesses that they partner with. Sourcing potential deals can be an expensive and time-consuming process therefore the possibility of repeat business is an effective way to keep down costs. To this end, the borrowers will usually speak to the same team of individuals and are not passed around from one team to another. In particular, if borrowers ever reach a stage of distress they are managed by the same team that began the process months or years before. In contrast, if a borrower defaults in a banking relationship, then their situation will be handled by a 'work-out' team that is distinct from the relationship manager that they are more familiar with.



Kreos supports UK company through long-term growth plan

Kreos Capital provided three stages of financing to a UK consumer internet company to support its European expansion. Kreos initially provided an €8 million loan to finance the company’s acquisition of a business in another European country. Furthermore, Kreos supported the business with two further rounds of financing, €4 million and €5 million respectively, staged over time to correspond to the business’s developing cash needs. The company benefitted significantly from the speed of execution of the deal, as on the initial transaction, within a month they were able to move from term sheet to financing the purchase.

e) Lower levels of leverage persist

Similarly to the results of last year, a significant proportion of alternative lenders use no leverage at all, in contrast with banks who operate at levels of leverage of around 10 to 20 times their equity¹⁵. Alternative lenders feel that this can be valuable for marketing their investments to those institutional investors who are often averse to using significant levels of leverage. The majority of funds who use leverage at the fund level do so only to a minor degree. Only 4% of our sample of manager respondents deploy leverage more than two times net asset value (NAV) at fund level.

The majority of funds that use leverage do so through the use of borrowing. There is a growing trend amongst mid-market alternative lenders and banks, who are their main source of credit, to structure loans for the purpose of leverage through what is effectively a private CLO. This has the benefit for the lenders of obtaining commitment from the banks, but also allows banks to treat their capital in a more efficient manner¹⁶.



CVC loan vehicles help company to go green

CVC Credit Partners provided CLO financing to Smurfit Kappa, an integrated paper and paperboard manufacturer and converter based in Ireland. The company employs around 45,000 staff in approximately 370 production sites across 34 countries. The funding supported a strategic merger to solve overcapacity issues in the industry and since the transaction, they have achieved a reduction of 22% of CO2 emissions per tonne and cleaner water discharges.

Figure 15: Alternative lenders use of leverage

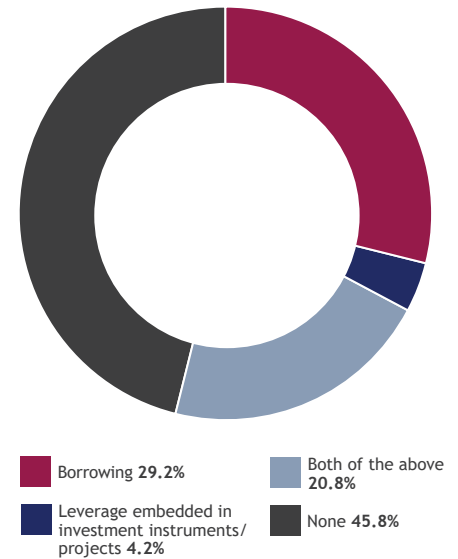
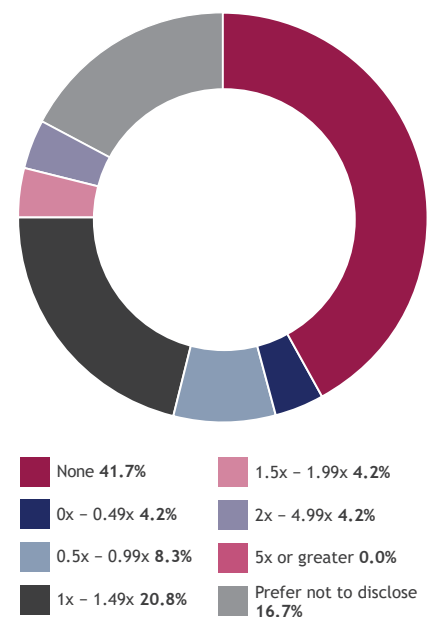


Figure 16: Levels of leverage used



15 There are many measures of leverage, but using the leverage ratio (Average Total Assets/Average Total Common Equity) and data from Bloomberg for the end of 2015 financial accounts, the four largest US banks were levered as follows; JP Morgan 11.37, Bank of America 9.28, Wells Fargo 10.35, and Citigroup 8.83 times. The four largest European banks had leverage levels of; HSBC 13.31, BNP Paribas 23.77, Credit Agricole 32.42 and Deutsche bank 25.47 times. The two main accounting methods (IFRS and US GAAP) differ in their calculations of leverage, but bank leverage still remains a significant multiple of fund leverage.

16 “Alternative Lenders: A new era for fund leverage”, Macfarlanes, October 2015.

3 Alternative lenders and banks often compete but also cooperate in many areas of business

Our survey highlights the role that banks are playing as they evolve in reaction to the regulatory environment. Banks are increasingly being viewed as a cooperative party for a number of important activities in the alternative finance universe.

a) Alternative lenders and banks working in tandem to source credit opportunities

The findings from our survey indicate that two thirds of alternative lenders use their relationship with banks to source credit opportunities. Banks would clearly like to lend to individuals and businesses in the capital market, but are coming under increasing balance sheet pressure¹⁷. If investments are too small to sit on their balance sheet, they tend to refer the opportunity to an alternative lender. In the larger transactions they offer “club deals” where a bank and a number of other alternative lenders form a syndicate to provide finance for the borrower, reducing their individual capital exposure.



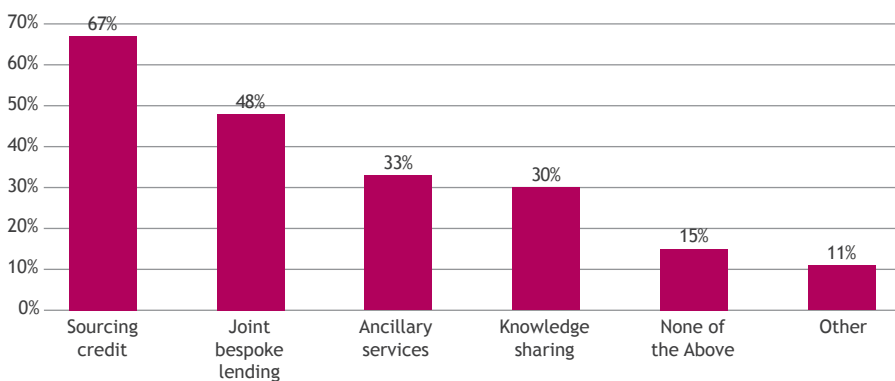
Tikehau invests in French real estate

Tikehau Investment Management was the sole arranger on a €28 million bond issue for a French real estate company. French banks Societe Generale, BNP Paribas and SocFim provided an additional €12 million to pay off the company’s senior debt. In 2015, the company turned-over €212 million and builds around 1,400 properties every year.

67%

of alternative lenders use their relationship with banks to source credit opportunities

Figure 17: How alternative lenders and banks work together



b) Growth in sponsorless deals

More than 60% of those surveyed stated that private credit transactions currently take place with the use of a financial sponsor. These are normally private equity firms that in addition to bringing capital into the transaction, will also have some level of capital markets expertise. We are witnessing a growing trend, particularly amongst those alternative lenders to be able to offer deals without a sponsor. The most effective strategy is to form a partnership with a bank, following the models of; Barclays and BlueBay¹⁸, UniCredit, Intesa Sanpaolo and KKR¹⁹, Barclays and Ares²⁰ and RBS, Hermes, M&G and AIG²¹. This allows them to open up several other markets that were previously closed to

¹⁷ See the Basel III implementations on bank capital adequacy.

them and share in ancillary services²² that they did not previously have access to. It is anticipated that sponsorless deals will be the standard going forward.



Ares supports growth of pan-European technology firm

Ares provided an initial £33 million loan for acquisition facilities to Claranet, a pan-European business based in London, who manage hosting and network facilities. Following that success, a further £92 million was extended on a co-financing basis alongside a banking institution, who were the minority debt holder. Over the last three years, the group has increased its total headcount in the UK and the EU from 500 to 1,000.

c) Banks providing alternative lenders with the framework to lend

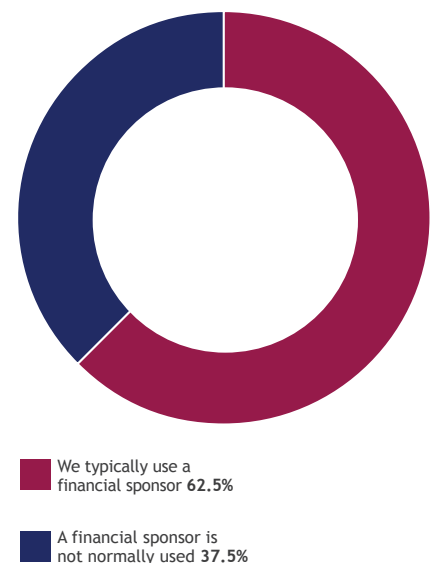
Despite the appetite for alternative lenders to support economic growth, the need for a banking licence in certain jurisdictions²³ makes lending somewhat problematic. This is considered as one of the more challenging obstacles to the development of the private credit market from our survey participants. Many alternative lenders during interviews acknowledged that their business would not exist without the involvement of banks. Should the banking licence regulations in those jurisdictions be relaxed, then it would certainly prove easier for new alternative lenders to compete and help ease capital market pressures.



Pemberton loans to German automotive industry

Pemberton Asset Management provided a €25 million loan to a major supplier to the German automotive industry for corporate development purposes. The company is a leading noise-damping and acoustics solutions provider and holds significant market share in both Europe and North America with a smaller share in Asia. The financing will support the company in its expansion plans into China and further build out in the US in support of core clients. Pemberton worked closely with its local banking partners to provide a long term financing proposal to the company to support various capital expenditure projects such as; building of an additional line of production in the US, building of a greenfield facility in China and expanding production facilities in Europe. This will allow the company to service its existing client base in the key three global regions, win additional business with existing clients and open up new clients, particularly in North America and Asia. This investment creates new jobs in the company at the sites that are being expanded or newly built and helps secure jobs in the other sites. Furthermore, the investments allow the company to become an even more relevant supplier, able to service their global production requirements.

Figure 18: Use of financial sponsors by alternative lenders



18 <http://www.bloomberg.com/news/articles/2014-01-10/barclays-joins-bluebay-asset-management-for-u-k-direct-lending>

19 <http://www.reuters.com/article/intesa-unicredit-idUSL6N0NE21N20140422>

20 https://www.privatecreditorinvestor.com/news/global/2015-12-22/ares-forms-uk-partnership-with-barclays/?utm_source=Sailthru&utm_medium=email&utm_campaign=PDI%20DD%20221215&utm_term=PDI%20Daily%20Smart%20List

21 <https://uk.finance.yahoo.com/news/rbs-launches-lending-spree-hermes-050018931.html>

22 Such as custodial and treasury management services.

23 For example in France loan origination is not currently permitted. See Appendix A for a comparison of European legal jurisdictions' approaches towards private credit.

4 Europe catching up with US market for private credit

a) Significant investment opportunity in Western Europe

While the US remains by far the largest market, eight of the nine most attractive destinations for private credit investment opportunities for our survey participants were in Western Europe.



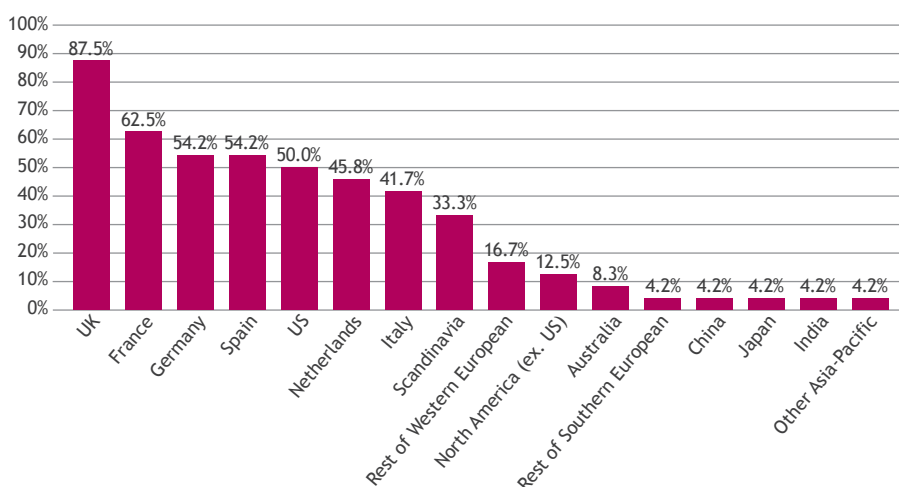
ICG supports Swiss hospitality schools

ICG provided a CHF 170 million (c. \$172 million equivalent) financing package to back Eurazeo's acquisition of two Swiss hospitality management schools from US education group Laureate. The first, Glion has around 2,000 students and operations in Switzerland and the UK. The second, Les Roches, has campuses in Switzerland, Spain, Jordan, China and is about to open another in the US. The two schools will be moved into a combined group with headquarters within Europe and given access to Eurazeo's human and financial resources.

Eight of the nine

most attractive destinations for private credit are in Western Europe.

Figure 19: Where alternative lenders see the biggest lending opportunities



b) European fundraising continues to grow

The largest investors into private credit companies from our survey come from the US. These investors see the private credit market as a means of gaining access to well diversified European opportunities with attractive risk and return characteristics. US-based investors are helping to drive the growth of European focused credit funds, which raised record levels of capital last year²⁴, reaching almost \$30bn. As the US private credit market has matured and US investors became familiar with the asset class, a European expansion has become more attractive.

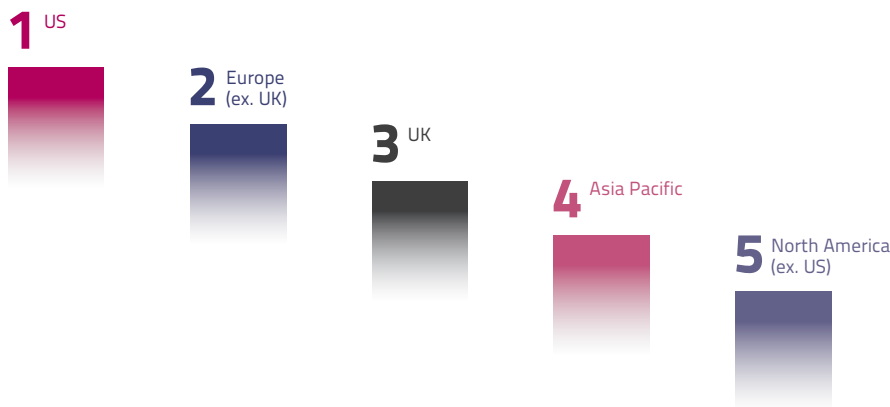
24 According to the 2016 Preqin Global Private Debt Report.



CQS loan vehicles help fund European cargo handler

CQS alongside a broad syndicate of lenders provided CLO financing to Swissport, the world’s largest provider of ground and cargo handling services in the aviation industry. The business is active at more than 280 stations in 49 countries and operates around 120 warehouses moving in excess of 4 million tonnes of cargo per year. The funding secured the jobs of the 61,000 personnel working at the company.

Figure 20: Regions that provide most financing for alternative lenders



c) Mature US market shows the way ahead

The alternative lending market in the US has existed for a much longer period and when examining the lending statistics, typically around 85% of all finance comes from sources other than banks, in comparison to 20% in Europe. Whilst it may not be expected to reach that degree of concentration in the short-term, there is still plenty of scope to fill the lending gap for mid-market European companies, that has been estimated by Standard & Poor’s as up to €3.8 trillion by 2018²⁵. This does not have to mean the demise of bank financing, just that each parties’ role will evolve over time. For example, if one were to study the return on equity²⁶ of US banks, the minority players in their market, you would comfortably draw the conclusion that they are able to exist in the market harmoniously with their alternative counterparts²⁷.

25 Standard & Poor’s, June 2013.

26 A widely used measure of profitability in relation to the value of equity.

27 According to the end of 2015 financial accounts from Bloomberg, the ROEs of the 4 largest were JP Morgan Chase 10.35%, Bank of America 6.29%, Wells Fargo 12.79% and Citigroup 8.03%.



Ares supports sustainable seafood

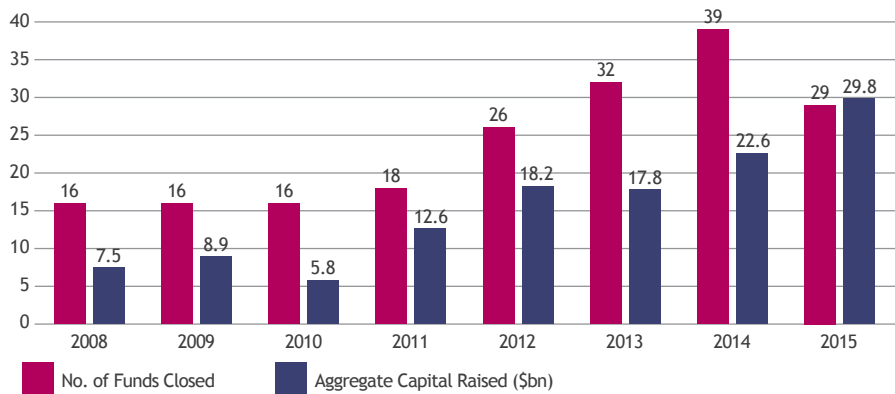
Ares Capital served as lead arranger of an \$800 million loan to Bregal Partners-backed American Seafoods. The majority of the debt was syndicated across a number of other alternative lenders and banks. The additional funding will provide stable, long-term financing and strengthen its position as a leading provider of sustainable seafood products.



GSO loan vehicles support resort growth

GSO alongside a broad syndicate of lenders provided CLO financing to Club Mediterranée who specialise in the sale of all-in holidays at a number of vacation resorts. The funding helped the acquisition by Fosun who has undertaken to significantly increase investment, with 10 new resorts planned to open over the next three years. Furthermore a great number of resorts across the EU, Asia and Americas will be extended and renovated as a result.

Figure 21: Private credit fundraising in Europe



Source: Preqin

5 Alternative lenders are providers of long-term capital

a) Long-term investments

Most alternative lenders operate with a fund structure that employs a six to eight year life cycle. Firstly an investment period of two to four years, followed by a 'harvesting period' where they recoup the returns on their investments. Duration of loans is therefore set to match this type of fund structure, with the majority of loans falling into the two to six year maturity. The shorter loans can be recycled into another shorter loan so that the overall investment duration matches, with the added benefit of boosting investor returns. The ability to recycle funds in this manner is also indicative of the success of the investment strategy.

Compared to the results of last year however, there has been a growing trend in the long-term nature of the financing. Almost twice as many funds as last year now look to provide investments that last between six and ten years. In addition to providing long-term finance, alternative lenders are in many cases structuring the loans as a bullet payment that does not amortise over the course of the financing. This has the potential of removing a good deal of the financial burden from the borrower, especially in early phases of projects, freeing up cash for operational expenses.



Chenavari loan vehicles supported manufacturer of energy efficient buildings through the crisis

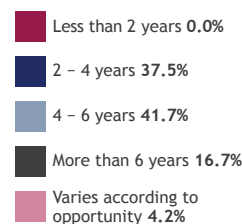
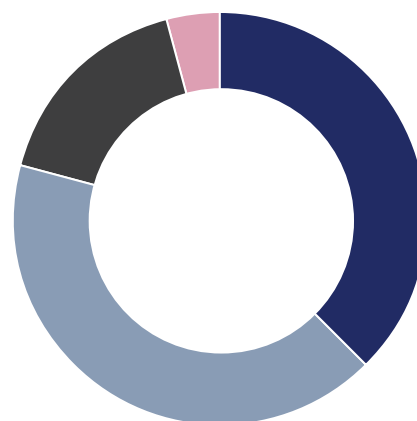
A niche aluminium profile manufacturer based in Belgium, whose products drive energy efficiency of building was financed by Chenavari. Through the use of CLO financing, the business was able to survive the Global Financial Crisis and has since recovered with current organic growth around 7%. Employing 1,600 staff across Belgium, France, Poland and the UK, Corialis Group export to over 20 countries.



CVC loan vehicles fund renal care treatment

CVC Credit Partners provided financing for Diaverum, the 3rd largest renal care company worldwide. The company employs 9,000 people globally and caters for preventative care, haemodialysis, home care, peritoneal dialysis and transplantations. CLOs have supported the business financially since 2007 and since then the company has more than doubled both the number of clinics that it operates and the patients that they care for.

Figure 22: Preferred target investment term



b) Fund and asset liquidity aligned

Most funds are closed-ended in nature and have a particular life cycle, normally six to eight years as mentioned above. Pension funds are by far and away the largest investors into private credit, followed by insurance companies and endowments. These institutional investors have long-term investment horizons that more closely fit the nature of private credit. As a result, investors are fully aware at the outset of their committed investment period and more importantly of the time it takes to unwind positions with the businesses that they have lent to. Whilst it took time to educate some investors of the implications of offering a closed-end fund structure, the additional value of the liquidity premium convinced institutional investors in their search for yield. Because nearly 80% of our sample are structured in this manner, there should be little to no concern over potential liquidity transformation that may occur elsewhere in financial markets.

Figure 23: Distribution of preferred fund structure

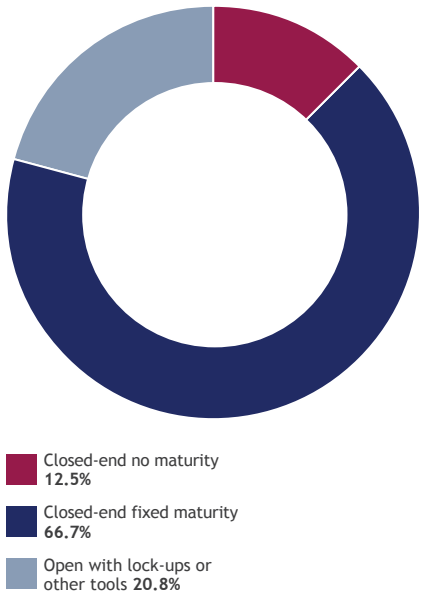
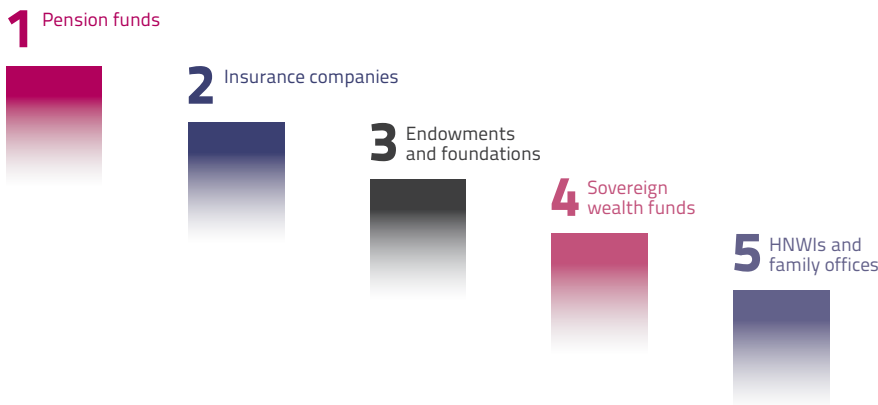


Figure 24: Source of funding in alternative lenders



GSO loan vehicles fund construction business

Materis Chryso an international leader in the manufacturing of mixtures for concrete and cement received CLO financing from GSO alongside a broad syndicate of lenders. The company operates 23 industrial sites across 12 different countries. The funding helped a strategic acquisition, even at a low point in the construction cycle in Europe.



CQS loan vehicles support Nordic IT company

CQS alongside a broad syndicate of lenders provided CLO financing for Evry, one of the largest IT companies in the Nordics. The company has approximately 10,000 employees and a local presence in 50 towns and cities, with particular emphasis on Norway and Sweden. In late 2015, a significant strategic partnership was announced with IBM.

Operational and regulatory issues at the top of the agenda

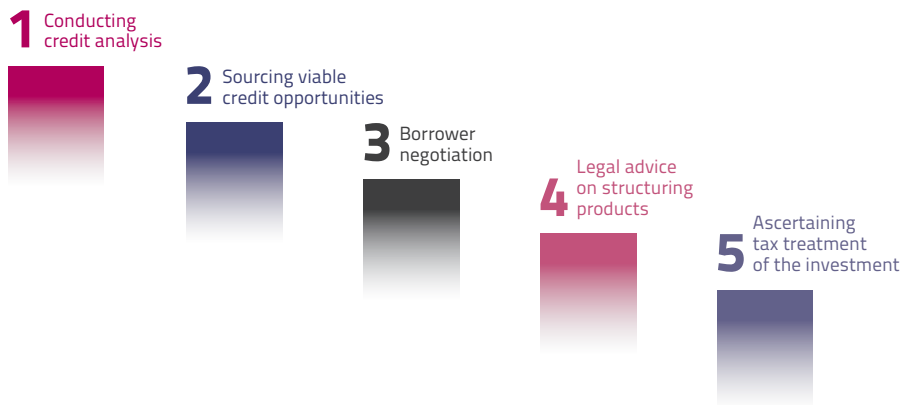
a) Resource Intensive Credit Analysis

As the industry has expanded in size, our research shows that alternative lenders are not solely lenders of last resort to financially unstable businesses. With the notable and obvious exception of dedicated distressed strategies, this could not be further from the truth.

Alternative lenders agree that their business is resource intensive and that credit analysis is by far and away the most costly activity. The processes do not involve a box-ticking exercise and rely upon a great number of analysts on the ground compiling research. Our survey participants were quick to point out that there can be no systematic approach to putting together diligence and that in many cases, judgement must be exercised.

The level of intellectual capital that has been accumulated by alternative lenders in a short space of time is also evident. As they have rigorously reviewed a large number of businesses across various industries, they can quite quickly call upon previous diligence carried out to support them in understanding a particular sector or market that may operate under an atypical regime. This market expertise is useful for alternative lenders in advising their borrowers on an ongoing basis.

Figure 25: Most time consuming activities for alternative lenders



b) Origination Strategies

There is a divide between those alternative lenders that are able to source their own credit opportunities and those that feel it is not cost effective to do so. Sourcing viable credit opportunities was cited by our survey participants as the second most resource intensive activity. The biggest concern stated here is not that there is a lack of flow of deals coming in but that there is a paucity of deals suitable for alternative lenders. As one manager eloquently put it, *'not all private credit was created equal'*. Alternative lenders are in many instances using long-term relationships in other areas of their businesses to source potential investments. It is expected that the market will segment further between those that can source and transact their own investments and those that will continually rely upon brokers and industry relationships in order to do so.

c) Regulatory and Legal Concerns

Notwithstanding the positive sentiment surrounding the industry, there are still concerns over some potential barriers to the industry. Alternative lenders manage their fiduciary responsibility and provide an ongoing service designed to protect borrowers from default. Therefore they should be allowed to manage their funds in a manner which is appropriate to their investment strategy²⁸.

Alternative lenders recognise that differences in judicial systems could present areas of competitive advantage for them individually. This may have taken many years of building up human capital, which they would be keen to use to their advantage. However, the overall sentiment is that, at least in Europe, harmonisation of some of the loan origination and insolvency rules would be desirable as it was stated as the largest barrier towards entry into the industry.

That said, most managers have expressed alarm at the recently issued European Securities Markets Authority (ESMA) opinion²⁹ on loan origination funds which did not rule out another layer of regulation which would be introduced above the already strict requirements of the AIFMD. As an example, despite the generally negligible levels of leverage in the sector, ESMA and many EU Member State competent authorities still feel there is a need to impose leverage restrictions in legislation. This is despite the fact that managers are already obliged to set justifiable internal leverage limits which are appropriate to their strategy and fund profile. The leverage restrictions being discussed³⁰ would potentially restrict funds in a manner that is difficult to justify in light of leverage limits present in current banking regulation.

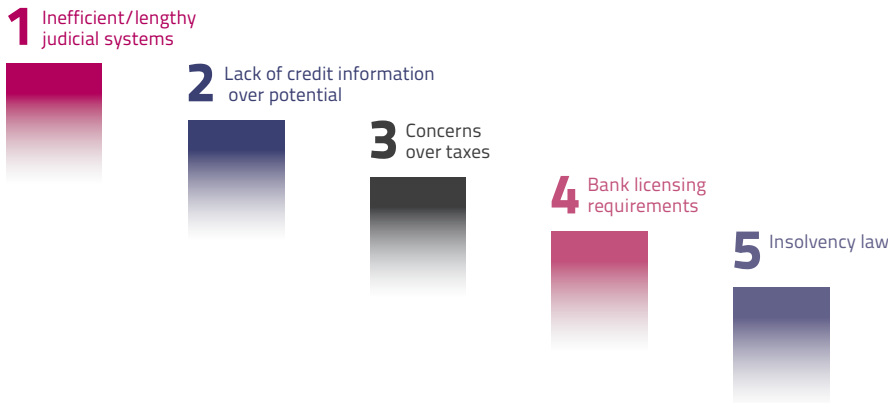
While the majority of lenders feel comfortable operating in Western Europe, some have concerns when investing in what many would consider the most developed European countries. In order to address these issues, some alternative lenders now employ in-house legal specialists who work full-time advising managers on their cross-border investments. Others will have dedicated smaller teams within the team, targeting specific jurisdictions that they are comfortable investing in and will not venture outside that subset.

28 The comparison here can be drawn to 'marketplace lenders', some of whom use less sophisticated credit scoring methods to match lenders with borrowers through online platforms.

29 ESMA opinion, "Key principles for a European framework on loan origination by funds", 11 April 2016. For individual member states' rules on liquidity see the guidelines of Ireland, Italy, Germany and France.

30 Some member states are suggesting imposing rules of no leverage at all, which appears to be unjustified when compared to the current rules on banks and the generally lower levels of liquidity and maturity mismatches in private credit funds.

Figure 26: Barriers to entry for the alternative lending industry



d) Treatment of tax across borders

Concerns over taxes are one of the most significant barriers to investing into private credit. The concern is not only the potential tax costs but also that consideration of tax issues is a resource-intensive activity for alternative lenders. The survey confirms, as expected, that private credit funds favour lending to jurisdictions with tax, legal and regulatory regimes designed to support growth. Businesses located in those countries will often therefore have better access to alternative lending. The focus of policy makers should therefore be on breaking down tax, legal and regulatory barriers to alternative lending

With regard to the overall tax landscape for funds there is currently a lot of uncertainty. Particularly in relation to the proposed changes to international taxation in response to the OECD Base Erosion and Profit Shifting project (“BEPS”) and how these changes will impact funds. The aim of funds with respect to taxation is to achieve fiscal neutrality, so that the fund itself does not add a layer of tax and the investors are very broadly no worse off from a tax perspective than if they had invested directly into the underlying assets of the fund. It is important to remember that the biggest category of investors into private credit funds are pension funds who are generally tax exempt and would not have been subject to tax had they invested directly into the underlying assets of the fund. Imposing additional taxes at the level of the fund would inevitably make private credit funds a less attractive proposition for investors and could reduce the pools of capital available for alternative lending. It is therefore vitally important that law makers focus on ensuring the fiscal neutrality of funds for tax purposes.

Figure 27: Will the fund or underlying holding structures need to make changes in response to BEPS?

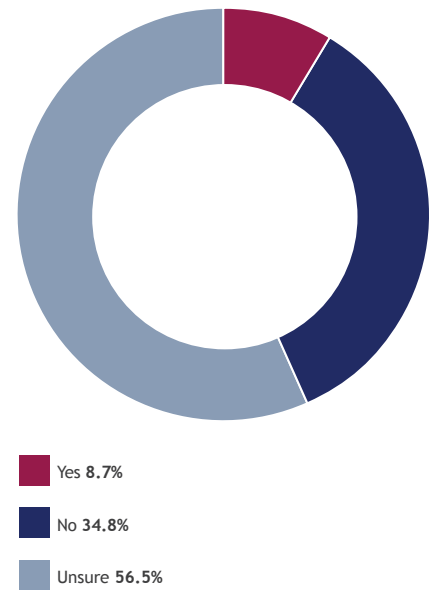


Figure 28: Would an improvement in the securitisation framework raise your capacity to lend to SMEs?

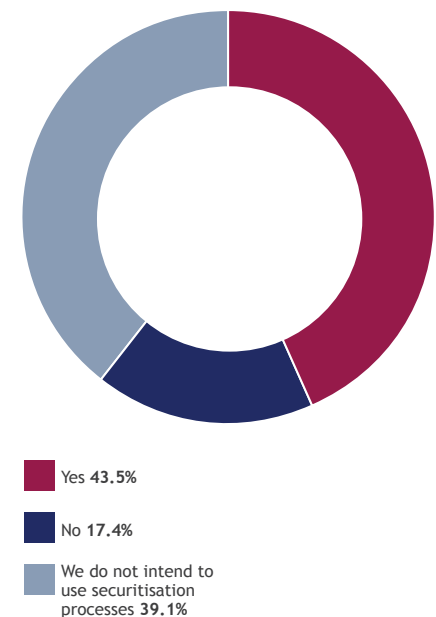
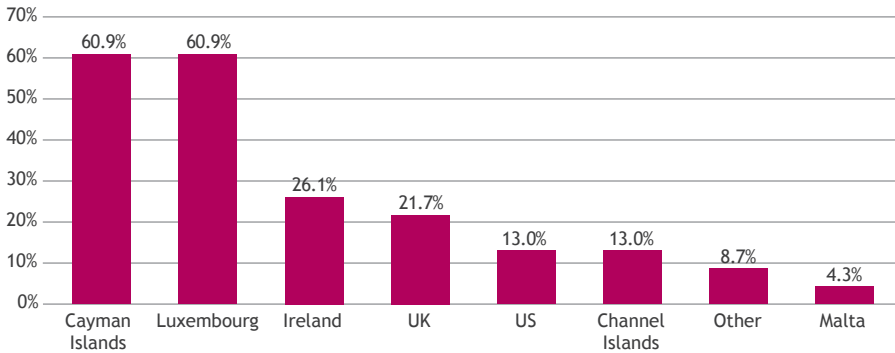


Figure 29: Geographic breakdown of fund domiciles



e) Use of fund vehicles

More than three quarters of alternative lenders structure their funds as partnerships. However, almost half now use managed accounts for some of their private credit vehicles. Close to one third also use securitisation vehicles as a means of entering into the private credit sector. Securitisation is a widely accessible means of SME financing that has been under close scrutiny since the Global Financial Crisis. According to a Standard & Poor’s report³¹ that rated 1,775 European CLO tranches, only 2 defaulted – equivalent to a 0.11% default rate. Our survey participants are also in agreement over the viability of securitisation – almost half of our sample would support improvements in the securitisation framework to help them increase their capacity to lend. One main concern is the reliance upon banks and investment banking intermediaries. The sentiment is that AIFMs themselves should be allowed to be sponsors of securitisation vehicles, which is not permitted under the current or proposed EU regulation.

There is a surprising lack of awareness over new fund vehicles that have been introduced in recent years. The beginning of 2016 saw the release of the ELTIF³² vehicle that is designed to be conducive to alternative lending. Firstly, the majority of respondents had not heard of the vehicle, and secondly, a significant proportion of those that had done were not fully convinced of its usefulness. More work clearly needs to be done on educating alternative lenders on the benefits of ELTIF vehicles as well as reviewing the effectiveness of the ELTIF framework.



Chenavari loan vehicles helped finance European healthcare provision

Chenavari have financed Quiron Salud, a leading private healthcare provider in Spain. They have invested heavily in both building new and modernising older hospitals, operating 84 healthcare centres in Spain and employing 26,000 professionals. Furthermore they have founded the only private research institute in Spain accredited by the Ministry of Science and Technology and are in partnership with 10 Spanish universities.

Figure 30: Are you aware of the European Long-Term Investment Funds (ELTIF) regulation?

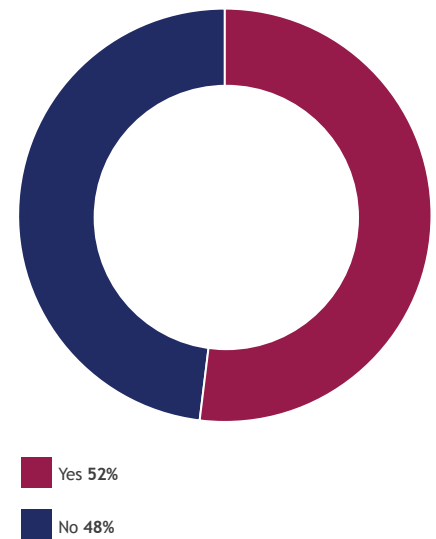
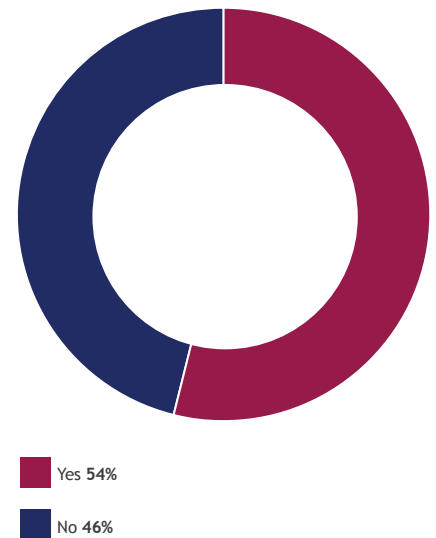


Figure 31: Is ELTIF a viable vehicle for a future fund?



31 “Fifteen Years Strong: A Look Back At European CLO Credit Performance”, Standard & Poor’s, March 2016.

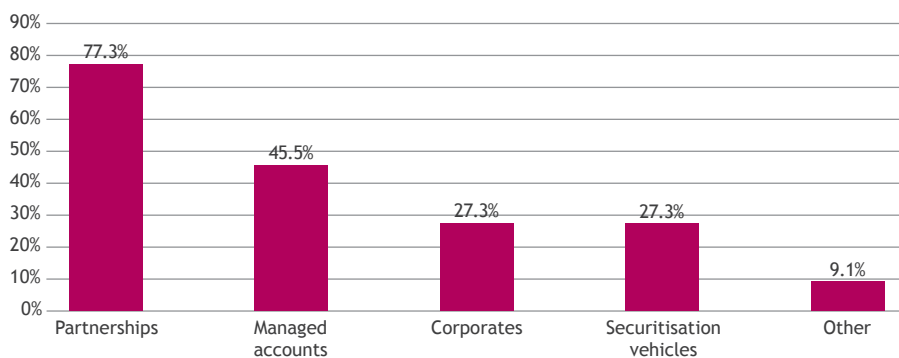
32 “Europe’s alternative source of business funding”, Deloitte, January 2015.



GSO loan vehicles support green technology

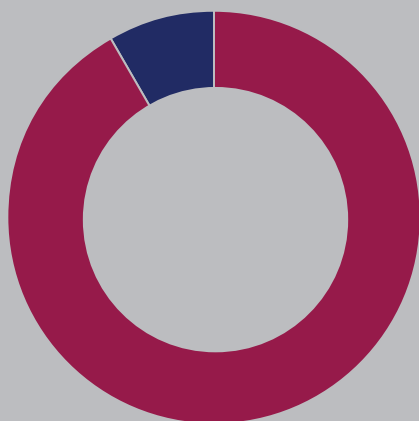
AHT a manufacturer of cooling and freezing equipment based in Austria received CLO financing from GSO alongside a broad syndicate of lenders. The funding has helped the company significantly grow, leading to increased investment into research and development of new products. Their plug-in coolers and freezers are around 60% more energy efficient than remote systems, meaning that customers have significantly lower energy and maintenance costs.

Figure 32: Most popular alternative lending investment vehicles



Conclusion

Figure 33: Appetite for private credit investing over the next 5 years?



Greater expected exposure to private credit 91.7%

Similar expected exposure to private credit 8.3%

Even the largest alternative lenders are relatively small in comparison to banks. To put this into perspective, the latest figures from Preqin put the global market for private credit around \$560bn. At the time of writing, the world's 50th largest bank accounted for significantly more assets by itself than the entire make up of our survey³³.

However, the sector is growing and fast. The industry is led by sophisticated and professional companies who continue to demonstrate added value over banks. Investors too are overwhelmingly positive with the management of their funds and the increased appetite for private credit, especially in Europe, shows no signs of waning. In fact, 86% of investors into private credit feel that their expectations were either met or exceeded over the past year³⁴. It is fairly safe to say that the industry is set to become a permanent fixture of the funding mix over the years to come.

From a policy perspective it is also desirable that the industry continue to grow. Based on our experience to date, the funding is countercyclical in nature. Alternative lenders are stepping to provide finance at the time of greatest need when others are withdrawing from the market. The leverage and fund liquidity metrics also show that financial stability concerns are greatly mitigated.

It will be interesting to see if and when the industry can enter its next phase and compete with public markets. Most agree that the credit cycle is currently at a peak and the industry will be tested as conditions may become less favourable. Many suggest that there will be a degree of consolidation and how lenders withstand greater default rates will vary on a case by case basis. What is certain however, is that alternative lenders are here to stay.

³³ Accuity bank rankings formed of balance sheet information available as of April 2016.

³⁴ According to the 2016 Preqin Global Private Debt Report.

Appendix A: Comparison of European legal jurisdictions³⁵

There is a great deal of variation in the approach towards loan origination across Europe. The table on the following page highlights the key differences across jurisdictions that alternative lenders will have to navigate when providing alternative finance:

³⁵ Information was sourced from the ESMA opinion, “Key principles for a European framework on loan origination by funds”, 11 April 2016, and Article 285, Kapitalanlagegesetzbuch, as amended OGAW-V-Umsetzungsgesetz, March 2016.

	UK	Germany	Italy	Spain	France
Loan Origination permitted?	Yes	Yes	Yes	Yes	No
Fund Structure	As per AIFMD	Closed Ended	Closed Ended	Closed or Open Ended	N/A
Leverage Limits	None	Necessary condition to originate: borrowing is limited to 30% of the net capital of the AIF that is available for investment.	130% for retail investor funds and 150% for professional investor funds.	No leverage on open ended funds.	N/A
Exposure limits	None	Necessary condition to originate: loans granted to a single borrower cannot exceed 20% of the net capital of the AIF that is available for investment.	Exposure to a single client up to a limit of 10 per cent of the total assets of the fund.	The portfolio must be sufficiently diversified at the level of the borrowers and the prospectus must foresee the deadline to meet that diversification. In case the diversification were not attained, the fund should review its strategy and modify it after informing the investors.	N/A
Maturity and Lock-ups	None		Credit maturity cannot exceed the fund's maturity.	It is possible to set up a lock up of the same length of the life of the loans granted.	N/A
Risk Management	As per AIFMD		Required to define a specific process of managing credit risk, in particular: i) risk measurement; ii) risk diversification; iii) credit monitoring; iv) classification of risk positions; v) assessment and management of impaired loans (risk management).	Must set up a due diligence procedure to assess the financial strength of the borrowers (ex ante and on a continuous basis).	N/A
Credit Restrictions	As per AIFMD	The AIF cannot grant loans to consumers.		These funds cannot grant credits to related parties, to natural persons, or investors of the fund.	N/A
Other Features			Derivative contracts exclusively for hedging.	Information on the specific loans granted must be provided in periodic reports.	N/A

Appendix B: Additional Case Studies

What does a successful transaction look like?

Many lenders indicate that return is not the only key driver when it comes to labelling an investment as successful. Both the length of the transaction and additional committed capital are continually mentioned as equally as important.

Any transaction that a lender enters into has taken a large amount of work and normally consists of months of diligence by a number of different analysts. They will have considered; legal, accounting, tax, commercial, regulatory, compliance and environmental constraints. Most would have then met the management on more than one occasion and passed through two or three stages of internal checks and reviews before coming to their decision.

Most alternative lenders tend to provide an initial degree of financing, with a further amount of committed capital that can be drawn down by the borrowers for growth or acquisition normally without obstacle. Lenders therefore feel vindicated when the borrowing company has reached such a stage of success that they have grown to the point where they will require additional levels of funding. There are numerous examples of funds providing repeat financing and increasing their investment into a growing business partner.

Furthermore, the length of financing is an important indicator of success. Refreshingly, alternative lenders openly admit that not all borrowers are suitable for their method of financing and the structures and benefits they bring. Therefore, the fact that businesses have chosen to partner with them over a sustained period of time indicates that a fruitful relationship has been entered into.

Lenders are keen to partner with businesses to investment maturity and beyond. Furthermore, through the disciplined use of covenants, remaining partnered with alternative lenders in the long-run can be continually beneficial for borrowers. For example, some alternative lenders indicated that they place covenants on the borrowers that over the term of the loan, the balance sheet leverage of the company must continue to decline. Therefore, the longer the partnership continues, by definition the healthier financially the business becomes. This continued monitoring process can instill strong values in the borrower and demonstrates the added value that alternative lenders can continue to provide.

Chenavari loan vehicles provided financing to support affordable broadband for Europe

Chenavari have provided a loan to Altice Group that have grown into a leading multinational telecommunications company with a presence across most of Western Europe. The company is now listed on the Amsterdam stock exchange and has invested heavily in telecom infrastructure resulting in affordable, widespread broadband access to consumers and businesses. With 10,000 employees, they have just announced their intention to accelerate the fibre-optic build-out in France and Portugal.

Ares and Tikehau finance Norwegian satellite business

French asset manager Tikehau Investment Management and Ares Management have provided a \$270 million loan for Apax Partners' acquisition of maritime and land commercial satellite communication company Marlink. The financing will extend Marlink's Broadband Satcom Solutions service to its clients globally.

French private lender loans to German engineering firm

Idinvest Partners has provided a €30 million loan to a German crankshaft maker who makes parts for premium car manufacturers. The junior debt financing will partly support the opening of the company's first production plant in the US as well as the company's equity base.

Piramal and APG co-invest into Indian renewable energy

An Indian solar energy platform, received a \$132 million loan from Piramal Enterprise Ltd and APG Asset Management. The investment will be used to propel the company's solar power agenda across India.

AMP lends to UK solar assets

Sydney-based AMP Capital is lending £49 million to a portfolio of UK solar assets. The funds will be used to refinance the company and to expand two further portfolios of rooftop solar assets.

Partners Group invests \$200 million into dentistry

Partners Group has provided \$200 million in debt and equity to a US dental services provider. The company is the largest denture and implant services provider in the US, operating 200 affiliated practices in 39 states.

Macquarie invests in renewable energy

Macquarie Infrastructure Debt Investment Solutions has provided a £106 million loan to a renewable energy company based in the UK. The funds will help refinance a portfolio of 12 operational UK solar assets generating just over 99MW.

Prudential Capital supports geothermal energy

Prudential Capital has provided a \$20 million loan to a geothermal energy company operating mostly in the American West. The funds will be used to pay back an existing loan, pay for current projects and to expand the company.

Aviva refinances portfolio of renewables

A green energy company has received a £70 million refinancing deal with Aviva Investors. The funds will be used to refinance a 60MW portfolio of operational wind and solar parks across the UK and also help the company increase its green energy portfolio to 100MW over the next 18 months.

Proventus funds renewable energy group

Swedish private credit firm Proventus Capital Partners has provided a €28 million loan to an Irish renewable energy group. The company will use the funds in the rollout of wind energy projects in Northern Ireland and the Republic of Ireland. In total, PCP has now provided close to €100 million of growth capital to the company.

Beechbrook funds financial risk analytics firm

Beechbrook Capital provided financing to a UK provider of regulatory and credit risk analytics to banks, credit card providers and other businesses with consumer credit exposure. The funds will be used to support a shareholder realignment and organic growth.

CVC loan vehicles support French real estate growth

Foncia, a French real-estate services company who employs 6,400 people was provided CLO financing by CVC Credit Partners. The company manages leasing and joint property contracts for more than 1.5 million dwellings and is the market leader in a highly fragmented industry. The financing supported potential further growth for the company.

CVC loan vehicles refurbish French hospitals

CVC Credit Partners provided CLO financing to Vedici, a French group of 80 private hospitals. The financing supported the merger of two large operators in the market and protected 17,200 employees that care for 1.2 million patients every year. The funding was also used for heavy refurbishments and further expansion of the business.

CVC loan vehicles fund Irish fibre optic services

CVC Credit Partners provided CLO financing to Eircom, a leading fixed, mobile and broadband telecommunications company in the Republic of Ireland. The company, who provides fixed-line telecom services to more than 1.2 million households, has approximately 3,400 employees, with the majority in Ireland, making it one of the largest employers in the country. CLOs have supported the construction of fibre-optic, 3G and 4G services across Ireland.

CVC loan vehicles increase competition in German telecoms industry

Tele Columbus, the third largest cable operator in Germany received CLO financing from CVC Credit Partners. The business, who employs 1,900 staff members has 3.6 million homes connected to their network. The funding provided long-term financing for the company's network upgrade and also paid for two acquisitions, increasing the competition in the market.

CVC loan vehicles support medical research

Synlab, a leading player in the European market for human medicine laboratory tests, received CLO financing from CVC Credit Partners. The group has a presence in 35 countries and more than 13,000 employees to help perform approximately 450 million test results per annum. The financing supported significant organic growth, through opening new laboratories and financed a merger, increasing the company's portfolio and geographical coverage.

CVC loan vehicles fund global healthcare business

Grifols, a leading global company developing, manufacturing and marketing plasma derivatives and healthcare equipment received CLO financing from CVC Credit Partners. The company has been operating for more than 70 years and has grown to have a presence in approximately 100 countries. The funding has contributed to significant organic and inorganic growth, helping Grifols to become the third largest player in their market serving healthcare providers to diagnose and treat patients with haemophilia, immune deficiencies, infectious diseases and a range of other threatening medical conditions.

CQS loan vehicles provide boost for elevator business

CQS alongside a broad syndicate of lenders offered CLO financing to Wittur, a global elevator component manufacturer that is headquartered in Germany. The company has now grown to 18 production sites, more than half of which are in Europe and employs approximately 4,500 people.

CQS loan vehicles fund French rail industry

Delachaux a designer and manufacturer of rail fastening and welding systems based in France received CLO financing from CQS alongside a broad syndicate of lenders. Since 2003 the group has more than tripled in size and now employs over 3,200 individuals in more than 30 countries.

CQS loan vehicles fund global packaging firm

CQS alongside a broad syndicate of lenders provided CLO financing to Mauser, a global player in the industrial packaging market for more than 120 years. The business is headquartered in Germany but has over 90 production locations in 18 countries. The funding has meant that the group has been able to expand globally and now employs around 4,500 staff.

CQS loan vehicles support automotive industry

TI Automotive, who produce fluid storage, carrying and delivery systems for many of the world's major automobile manufacturers received CLO financing from CQS alongside a broad syndicate of lenders. The business is based in the UK but employs more than 23,000 individuals in 125 locations across 28 countries.

GSO loan vehicles fund Irish private healthcare

MP Healthcare, the number one player in the private healthcare market in Ireland received CLO financing from GSO alongside a broad syndicate of lenders. The company has been growing significantly and specialises in cardiology and cancer treatment. As a result of the financing they have increased their investment and have recently doubled the number of operating theatres they run and built a new 24-hour emergency department unit.

GSO loan vehicles support European decorator

Materis Paints SAS a leading decorative paints manufacturer and distributor has received CLO financing from GSO alongside a broad syndicate of lenders. The company operates across 9 countries and has 4,000 employees. CLOs helped refinance the company at a difficult time, when the French market was in decline and the construction cycle in Europe was at an early stage of recovery.

GSO loan vehicles fund business through the crisis

GSO alongside a broad syndicate of lenders provided CLO financing to Terreal Holding SAS a leading manufacturer of roof tiles in France. The company operates 22 production sites in 5 countries and has approximately 2,250 employees. CLOs helped the company through a debt restructuring process that ensured its survival through the last economic downturn.

GSO loan vehicles fund growth of Spanish healthcare

GSO alongside a broad syndicate of lenders provided CLO financing to Capio Sanidad a leading private healthcare provider in Spain. The company has recently invested heavily in the construction and modernisation of hospitals, now managing 84 healthcare centres in Spain employing 26,000 professionals. They have founded the only private research institute in Spain accredited by the Ministry of Science and Technology.



Alternative Investment
Management Association

About AIMA

AIMA, the Alternative Investment Management Association, is the global representative of the alternative investment industry, with more than 1,600 corporate members in over 50 countries. AIMA has an active influence in policy development and provides leadership in industry initiatives such as educational programmes and areas of sound practices. AIMA has developed long-term relationships with regulators worldwide and has built a close collaboration with many investors in alternative funds.

For further information, please visit AIMA's website,
www.aima.org.



About AIMA's Alternative Credit Council

The AIMA Alternative Credit Council – a group of senior representatives of alternative asset management firms – was established in late 2014 to provide general direction to AIMA's executive on developments and trends in the alternative credit market with a view to securing a sustainable future to this increasingly important sector. Its main activities comprise of thought leadership, research, education, high-level advocacy and policy guidance.

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