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FUND FINANCE FRIDAY

Player Profile – Charles Newcomb

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Player Profile

This week we bring you an interview with Signature Bank's Charles Newcomb. Charles is a Managing Director in the Fund Banking Division at Signature Bank. He is responsible for the origination and structuring of debt products for private equity-style funds across all asset sectors. These include subscription, hybrid, NAV and management company credit facilities. He has held various origination roles in the fund finance industry for 13 years. Prior to joining Signature Bank, he was a Managing Director at Comerica Bank in the Equity Fund Services Group in New York as well as a Vice President in the Subscription Finance Group at Wells Fargo Securities.

***FFF:* Charlie, tell us a bit about how you ended up in fund finance.**

Oh, there's a humdinger of a story: In 2006, I met a woman by the name of Dee Dee Sklar on a beach in the West End of Anguilla in the British West Indies. At the time, I had graduated from Colgate University and was working at a law firm in New York (Skadden, Arps), figuring out what to do with the rest of my life.

A few months after that fateful meeting on Shoal Bay, Dee Dee hired me as an Analyst at WestLB in the Financial Institutions Group. When FIG was purchased in 2012, I moved with Dee Dee (and Michele Simons) to Wells Fargo's Subscription Finance Group, and the rest is history.

***FFF:* It's been exciting to watch the Signature platform continue to grow in 2019 on the fund finance side, but also in cash and treasury management and in expanding the West Coast presence. What matters most to funds when choosing a lender?**

I think the most fundamental and important piece to think about is: can my banker and the institution execute for me when I most need them to; and, do I have faith in that execution?

It's very easy to preach transparency, flexibility and ease during the origination phase – but what about when there is material upsize that needs to be approved and drawn on in 24 hours for an acquisition? Can you count on your lender to get that done? If your back is against the wall and you need your lender's help, you want to be confident that they will go to the mat to get it done.

Here at Signature we have had $400mm facilities approved by our Board of Directors in a matter of hours and have closed materially sized permanent increases in less than 24 hours. Because we have a flat organizational structure, we are able to be nimble without sacrificing our combined expertise.

FFF: **By our count the number of active fund finance lenders in 2019 (leads and participants) stands just shy of 60. How important is it for a lender to carve out a clearly defined target market or a niche, if you will?**

Extremely important – especially if you're a new entrant with a strategic mandate to originate bilateral facilities. If you don't differentiate yourself from other players in the space, or add value in ways that they can't – either structurally or economically – it becomes challenging to compete very quickly.

FFF: **We have a thesis that funds over time will need to consider fund-level asset leverage to support returns and that lenders may need to broaden their product offerings to include NAV and hybrid products if they're interested in maintaining loan growth. This hasn't really started playing out in the origination data yet. What's your take?**

Absolutely agree with the thesis. We've done a number of sizable hybrid facilities here since August 2018, and they are an important part of our mandate. At the moment, the nature of the collateral and the advance rates make these challenging to syndicate to more than a few lenders; however, I think we'll see that change in 2020.

FFF: **Where is the fund lending market most ripe for innovation?**

I think it's what we touched on earlier – hybrid and NAV facilities – but I would also add facilities for single managed accounts ("SMAs"). The market is frothy for all three of these products, and the question will be: what lender can come up with viable offerings that can be applied to funds across all asset classes.

FFF: **What do you see as the ingredients for success as a fund banker that differ from other general lending and capital markets disciplines?**

In order to be successful in fund finance, your skill set needs to be broader and more finely-tuned. Someone I used to work with used to emphasize being a "five-tool player" (using the baseball analogy of being able to hit for power and average, steal bases and have fielding prowess and arm strength). In other words, you can't just be good with clients and focus on the origination component – you need to know how to look at both fund and facility structures through the lens of a credit officer and understand the nuances of the legal and security documentation.

FFF: **Tell us a bit about how you keep busy outside of work.**

Spending time with my family is very important. My parents, sister and niece live in Nashville, so I spend a good amount of time down there. My wife Diana and I love to travel (Cayman Islands and St. Barths are our favorite spots). We also just got a 4-month old Cavachon puppy named Leo (short for Leonardo/Leo-nardog/Leo de Janeiro) who keeps us on our toes.

***FFF:* Any bold fund finance predictions for 2020?**

The first large, broadly syndicated, hybrid or NAV facility will clear the market ... and it will be led by a non-traditional lender (*i.e.,* not by a money center bank).