

FUND FINANCE FRIDAY

Player Profile: Matthias Jahnke

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Player Profile

**FFF: How did you end up in fund finance?**

Pretty much like everyone that has been in this industry since its early days—by accident. Back in 2007, we were looking to develop new products inside a broader FIG platform, and fund financing for PEGs seemed to be the underdeveloped market with a decent growth potential.

FFF: How has the first half of 2019 shaped up compared to 2018?

According to Bloomberg, PE funds raised a combined \$26.4 billion of commitments in the first five-and-a-half months of the year. That's only 18 percent of the fundraising activity for the same timeframe of 2018. While the subscription market usually sustains commitment levels via extension and upsizes for existing facilities, growth has definitely come down to more moderate levels with fundraising being the key driver of growth in years past.

FFF: Fund finance is still relatively small in the context of global private market AUM. In round numbers, call it \$500 billion of lending to a nearly \$6 trillion market. Where are the most exciting growth opportunities?

Assume that the \$500 billion you mention comes mostly from traditional subscription lines, and to use a more appropriate measure, compare that to \$2 trillion in uncalled capital across the private fund universe at the end of 2018. Combine that with an average subscription facility at 25 percent of fund size and you can come to the conclusion that you are not far off from saturation levels in the traditional part of the market (*i.e.*, facilities covered by uncalled capital

provided to buyout, growth, and real asset strategies). Consider now that \$6 trillion in AUM includes approximately \$800 billion of venture capital AUM as well as asset leverage, and the answer seems obvious: subscription lines to “non-traditional” asset classes as well as hybrid and NAV lending. I’ll leave it up to each capital provider to determine how exciting these are.

FFF: Elsewhere, credit spreads are moving wider. Why doesn’t broader credit market pricing have more of an impact on fund finance?

It’s an interesting question and somewhat of a multi-headed beast, but something that is mainly driven by the track record of the product along with the high liquidity in the market. With almost no reported defaults, a lot of banks have—and are continuing—to turn to the space for many reasons, but mainly to avoid other parts of the credit markets in what is an increasingly uncertain macro environment. With supply up and a large portion of demand down (see question #2), credit spreads have been able to stay relatively flat as a result.

FFF: Who has had the most influence on your career?

Really the two key people in this industry. I started in the space with WestLB, with Wells Fargo buying the franchise in 2012. Do I need to say more?

FFF: What was your career high . . . and career low?

The high? Moving to New York 12 years ago. The multi-faceted life this city has to offer as well as the broad set of cultural exposure one can get are unmatched anywhere else in the world.

The low is really a high in hindsight. Having worked for one of the highly successful businesses at an institution that was being torn apart for broader political reasons outside of your control, was a frustrating experience. It taught me a lot of valuable lessons that still prove to be useful today.

FFF: What do you think it takes to be successful as a banker in the fund finance industry?

While all of these apply interchangeably at different points in time, having the ability to build and foster strong relationships and deliver a trustworthy and consistent work product was key in the years coming out of the financial crisis. More recently, and probably for the foreseeable future, it is the ability to stay disciplined with a long-term plan in mind.

FFF: If you could give the Fund Finance Association one piece of advice, what would it be?

I know it’s difficult, but build additional content that’s relevant for sponsors.

FFF: What do you like to do outside of the office?

Like most other people, spending time with family and friends. I am also a passionate runner, still (unsuccessfully) chasing those Mike Mascia marathon times.

FFF: Tell us two truths and one lie about yourself?

My last name is not pronounced junk-ie.

I was born and grew up in the former German Democratic Republic.

I am a strong believer that the U.S. football (American friends, I am talking about soccer) team will win a World Cup in my lifetime.

FFF: Family?

Soon to be 3. Very exciting, but who knew buying a stroller would be a project on its own...

FFF: Any fund finance predictions for the rest of the year?

Modest single-digit growth in the capital call market and increased Hybrid/NAV lending activity.