

FUND FINANCE FRIDAY

Player Profile: Edoardo Levy

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Player Profile



FFF: You had a great run at Investec. Tell us about your time there?

Investec has been transformational for me and for my career. Simon Hamilton, Global Head of its Fund Finance business, hired me and gave me a unique opportunity to develop the Investec U.S. Fund Finance activities. At the age of 31, I decided to take on the challenge. I had to learn everything from scratch. I was coming from a mixed background of experience in lev finance sales and advisory, some of which on private capital assets. But Investec is the type of firm and open environment which allows you to roll up your sleeves and to become an entrepreneur in finance, which was a dream come true for me.

I started at Investec in 2011 in London and landed in NY in October 2012, the same day that Hurricane Sandy hit the city. Not a great beginning! At the time we were only about 10 professionals in the Investec U.S. offices (compared to over 30 today). Of these, two were just hired to develop the U.S. project and infrastructure finance business, which grew to be a

fantastic business for the bank. I was the only one on the Fund Finance side; however, I had lots of determination to rebrand myself and to achieve success. Initially, very few in the market knew who we were, so I was pushing out hundreds of emails and calls a week to get in front of folks to tell our story and understand if there was room for us to grow a business in the U.S. I was on my own for pretty much two years before I was joined by my long-time partner and dear friend, Gregg Kantor. That said, I was supported at the time by a smaller but tremendous fund finance team at Investec in London.

We finally bumped into Mike Mascia (at that time at Mayer Brown), and together we executed on our first dividend recap with a Secondary fund in 2014. That was a game-changer for us, as we understood we could be really relevant to the secondary and FoF client base. We since put in tremendous effort and resources to establish ourselves as a leading lender and a thought leader in the space, with tremendous success over time.

We were lucky and fortunate to get into the secondary market earlier on, whilst it was only a \$20bn marketplace, and to see it develop to the \$75bn+ marketplace it is today. The network was young and very open to innovation and ideas, a perfect place for us to develop our brand.

Over time, our U.S. team developed into six people, including a legal counsel at the desk. As a team, we got known as one of the key solution providers to GPs as well as LPs in private capital. We were running a business more like an asset manager rather than a bank. We created over time sophisticated modeling systems, as well as risk-monitoring systems, which I strongly contributed to building (as my first job on the team). This allowed us to always think about innovation and about creating the next new solution for our esteemed clients.

We were often first movers, venturing into some of the newest niches in the fund finance space, and we were very strict about offering clients a world-class service, which, over time, paid back.

The biggest gift from this experience has been the opportunity to get involved in an incredible network, where innovation was traveling faster than one could imagine.

Investec allowed me to develop a strong technical and entrepreneurial skill set in the fund finance market, and this put me in a great position to be prepared for my next career challenge as a full-time entrepreneur. More importantly, at Investec I created some of my closest and most important relationships, which I will carry with me during my professional and personal life. And, for that, I will be eternally grateful to the platform.

FFF: What did you do before Investec?

I graduated out of Bocconi University in Milan and started working right away for Goldman Sachs in London back in 2003, initially in the Leverage Finance division and subsequently in their credit derivatives trading and sales unit. Here, I was structuring and selling derivatives to Italian, UK and U.S. institutional investors. Right when GFC started, I decided to leave the bank to start a more entrepreneurial career. Not an easy choice, especially when you work for such a large player, but I always believed in my gut feel, and in 2009, I felt the time had come to make a move and to learn something new.

In 2009, I joined a new boutique investment bank, Stormharbour, launched to more closely service clients during GFC. There, I was working closely with UK institutional clients, advising

them on private capital assets and structured products. Investec was one of my close clients, and that's how I started my conversation with them. At Stormharbour, I got closer to the illiquid world, for which I developed a passion.

FFF: Tell us about your new fund. What's the investment strategy?

I recently set up BZH Capital with the vision to help the democratization of the private capital asset class. BZH's mission is to create smart, institutional-like access, for investors of any size and sophistication level, to proprietary private capital opportunities – therefore, to make this a more accessible, transparent asset class for investors worldwide who for too long have been more removed from this tremendous asset class. These are typically HNWI's, Family Offices or even smaller institutional investors.

Investors who only want to invest a few USD hundred thousand/millions in private equity might have had so far a harder time figuring out how to allocate such capital, whom to allocate it to, and why to one manager vs. another or one strategy over another.

Even if such an investor ended up making an investment, the questions remain as to whether he will be relevant at all to some of the larger managers and what ongoing service and insights he might be getting. This often results in either no investment in the private capital space from such an investor base or in a less exciting investment experience.

We therefore recently launched BPEO1 (BZH Private Equity Opportunities Fund 1), a EUR225m fund targeting European professional investors and focused on generating a core allocation to private equity. This is done through investments across two core strategies: co-investments and secondaries.

We will be working closely with two of the most established funds of funds in the marketplace, who will help us in building the individual programs.

The fund aims at creating a super-diverse portfolio, featuring early cash flows, faster deployment of capital than classic fund of funds and a strong J curve mitigation.

The fund benefits from a very innovative and tax-efficient wrapping. Investors will be buying into a Luxembourg securitisation vehicle with as little as EUR 125,000 // USD 150,000 commitments. In exchange for their commitments, they will receive a listed certificate with ISIN code. The certificate can be held in a securities account and sold at any time (investors will not require our permission to sell).

All commitments will be funded Day 1, therefore getting around the capital calls issues, which has historically been more of a burden for smaller investors.

FFF: Will you be co-investing with sponsors you used to bank?

Yes, I will be working closely with some of the great managers I had the honor to bank over time. I always had a very strong desire to remain involved in this tremendous network, and I am glad to finally have the opportunity to do something different with the same people I worked with for so long.

FFF: How hard was it to pull the trigger and give up your day job?

This has been a very tough decision for me.

Financially, this meant not having the monthly safety net around me, and we all know that living in NY is not cheap! Obviously, I worked hard on a business plan and got comfortable in living "in the uncomfortable," which I believe is a rule of thumb for whoever looks at a more entrepreneurial career.

Emotionally, I was (and still am, to some extent) very attached and jealous of what I helped create at Investec, and giving it up wasn't easy. I am very happy, though, that I did all I could before departing to pass on the good legacy left at Investec to a great team of people.

All this said, I figured the upside of trying this new entrepreneurial avenue can be far greater than the potential downside for me, both financially but also from a personal perspective. And at this point in my career, this was becoming a must for me. I just had to try this out, and the timing in the marketplace and in my career I felt was just perfect.

I could not have done this if I were not encouraged by the most important person in my life, my wife, whom I thank very dearly for all the support in making such a hard step.

FFF: What is your fundraising strategy?

Our fundraising strategy is focused on very personal and deep relationships with our European network, which both myself (being Italian, and having lived in Europe for most of my life) and my partner (also Italian and based in London) have shaped over the years. Often, we are getting in front of investors who have been used to a 60/40 allocation to stocks and bonds, but now, having heard the merits of private capital assets, they want to learn more and are prepared to make an investment.

The hard work is to translate such an opaque and less transparent asset class to a less sophisticated investor base than your large institutional investor. The outcome of such meetings really depends on the sophistication level of the investor we are meeting, on the one hand, and, most of all, on our ability to immediately understand the type of language we need to use, to be as efficient as we can in getting the message across. This means we often need to use different linguistic and cultural skill sets in order to explain the product in a very easy and immediately understandable way. I guess we are a little lucky that we speak five languages between the two of us and can relate to various cultures in the European and Anglo-Saxon markets. We make a very good and complementary team, which is what one really needs when launching a new venture.

FFF: Are you using a placement agent?

We are not working with a single placement agent, but we are certainly leveraging various introducers to get to the final investors.

FFF: How is fundraising going? Is there a lead Investor?

Fundraising is going well so far. We have been on the road for only 14 business days since we launched the fund throughout the summer, and have soft circled around 20% of the fund to date, including our 1% commitment as the manager of the vehicle.

We have one larger investor and other smaller ones. We are very proud of the result achieved to date, which is an initial confirmation of our thesis around the democratization of private equity. That said, we are aware there is a lot more hard work to be done on the ground in the coming months, and we will take stock again at the end of our next round of fundraising throughout Q4.

FFF: What are the challenges as a first-time manager?

There are many challenges as a first-time manager, as you can imagine, and here are some examples:

- First of all, credibility. Before being credible to investors, you have to be credible in front of all the other stakeholders working with you, starting from your partners/team members. Once you have their support, you can start building momentum with the origination side, the service providers and obviously with potential investors.
- Having the right partner/resources. Setting up a new business requires partners who have complementary skill sets, vision, culture and values. It is also important to have a real and complete alignment of interests, which also involves obviously the financial side. I was very fortunate that I could launch BZH with a dear friend of mine, with whom I grew up in Italy and who set up a tremendous distribution business in Europe in 2015 on structured products. His distribution capabilities, combined with specific my skill set in the private capital asset class, allowed us to launch BZH and BPEO1.
- At the same time, you need to start putting together a good pitch and a even better pitchbook. This is not an easy job, and you must have a very good support team to help you make sure the materials you are preparing are top notch. A good pitchbook requires having formalized thinking, access to information, and a business plan that is already in good shape (although it is to be expected you will probably update your pitchbook a few times during your roadshow before having a final output). In doing all of this, time pressure and budget are never your close allies.
- When presenting your thesis to investors, you don't have much time to get the right message across, and you have to be convincing, efficient, and super collaborative in answering their questions and perplexities. The reality is you will make mistakes initially and your pitch will improve over time (and so, too, your pitchbook!). The ability to learn and adapt quickly is probably one of the most important skill sets, especially for a first-time fund manager like me. Managers who have been on a fundraising effort multiple times have probably learnt their lessons earlier on and can surely be more efficient on many fronts than first-time fund managers. This is a strong competitive advantage.
- *Ca va sans dire*, as they say in French, that the limited budget is probably one of the biggest hurdles for a new manager. You have limited finances available and a lot of work to do in many directions: from origination, to setting up the platform, to obviously fundraising. All of this takes time, effort and money. Therefore, every minute, every call and every meeting counts and must lead to a step forward.

- Ultimately, I believe a strong positive energy and a commitment to work hard and to keep going, despite meeting hurdles on the way, is what differentiates a successful first-time fund manager from a non-successful one (obviously besides making sure your thesis is right and there is market appetite for it!). You need to have the ability to lead forward not just yourself (and there are down times for everyone!) but also, and especially, whomever is working with you. It does really feel like a start-up!

FFF: How can the fund finance community help you?

The fund finance community will be a key part of my network going forward. Although I will not adopt any leverage initially, I believe the use of mild leverage on our future funds will be part of the thinking we will need to do.

Questions around managing liquidity and bank accounts always come up, and the fund finance network has been instrumental in the PE space to help solve for some of these needs.

Also, in BPEO1 (our first fund) we will be committing 1% of the total funds raised all in equity. However, as a manager we might have to solve one day for commitments to our funds which might require us to think about utilizing some degree of financing at the management company level.

Finally, I am a firm believer in good karma: over time I got a tremendous amount from the fund finance industry, and I would like to make sure I can keep being involved and give back as much as I can, whether through business opportunities with the various active players or by providing thought and intel.