



# Private Credit

ROUNDTABLE



# [i3] Roundtable on Private Credit

As part of [i3] Pivot, we are pleased to convene an investor roundtable in partnership with **Benefit Street Partners**, (part of Franklin Templeton) to analyse and understand the opportunity set in private and alternative credit, and their roles in portfolio construction.

**Date:** 14<sup>th</sup> October 2020 (Wednesday): 10am (Australian Eastern Daylight Time) | 12pm (New Zealand Daylight Time)

13<sup>th</sup> October 2020 (Tuesday): 7pm (US Eastern Daylight Time)

**Online Platform:** [gotowebinar.com](https://gotowebinar.com)

**Duration:** 75 mins

**Format:** Moderated discussion. Chatham House rule applies. All comments are off-the-record. Details of this discussion will not be published

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# Participants



## Speakers

- **Dom Beckers**, Portfolio Manager, Fixed Income & Absolute Return, Victorian Funds Management Corporation
- **Bev Durston**, Managing Director, Edgheaven
- **Ray Costa**, Managing Director, Corporate Credit, Benefit Street Partners
- **Craig Dandurand**, Head of Debt, Future Fund
- **Laurence Marshbaum**, Portfolio Manager - Alternative Strategies, Sunsuper

## Moderator

**Teik H. Tan**, Executive Director, Investment Innovation Institute [i3]



# Discussion Themes

The aftermath of the global financial crisis has seen banks retreating from the lending market, paving the way for private funds to fill the vacuum. Coupled with investors' search for yield beyond traditional fixed income as well as current high valuation of equities, the demand for private credit has surged.

## **Yield and Diversification Benefits**

COVID-19 has created investing opportunities not seen in over a decade. As part of the roundtable, we will evaluate the opportunity set, which will continue to evolve due to

- Forced selling due to need for liquidity
- Issuer specific problems

In addition to the yield play, the breadth of strategies with a variety of risk and return profiles may provide investors a breadth of exposures to alternative assets. They may include opportunistic debt, liquid loans, high yield, special situations, and commercial real estate debt etc.

Depending on investor objectives and liquidity appetite, the different durations eg direct lending (short) vs infrastructure debt (long), may provide income diversification to the investor too.

# Discussion Themes (Cont'd)

## **Distressed Debt and Zombie Capitalism**

While it is expected that distressed investment opportunities will emerge as the crisis cycle evolves, will this time be different? The enormous liquidity provided by aggressive fiscal and monetary policies of governments may inadvertently keep would-be bankrupt companies afloat for much longer, creating an unintended consequence of zombie capitalism.

How this distortion plays out remains to be seen, with uncertain implications for the distressed opportunity set.

## **Portfolio Construction Considerations**

How can private credit be incorporated into the portfolio, given its multifaceted risk, return and illiquidity features? Should this strategy be funded from equities or fixed income?

Investment governance, particularly transparency, remains an important issue in private market investments. How can the investor balance the need for accountability and rigorous processes, while facilitating agile decision-making to access the opportunities?

Depending on the resources and sophistication of the fund, what's the optimal approach to access the opportunity across the cycle: Fund vehicles vs direct investing? How about co-investments?

How do you assess the performance of this strategy? What are relevant benchmarks?

# Speaker Profiles

<b>Dom Beckers</b>  Portfolio Manager, Fixed Income & Absolute Return, Victorian Funds Management Corp	<b>Bev Durston</b>  Managing Director, Edgehaven	<b>Ray Costa</b>  Managing Director, Corporate Credit, Benefit Street Partners (part of Franklin Templeton)	<b>Craig Dandurand</b>  Head of Debt, Future Fund	<b>Laurence Marshbaum</b>  Portfolio Manager Alternative Strategies, Sunsuper
<p>Dom is a portfolio manager in the fixed income and alternatives team at the Victorian Funds Management Corporation (VFMC), the asset management specialist for the Victorian government.</p> <p>Before joining VFMC, he was a Consultant and a member of the Fixed Interest and Portfolio Construction Research Team at JANA Investment Advisers. Prior to joining JANA in 2010, he worked as an assistant portfolio manager at Vanguard Investments, where he covered both domestic and international equities.</p> <p>Dom holds a Master's in Finance from the Leuven Business School as well as a MBA from the Melbourne Business School. Dom became a CFA charter holder in June 2011.</p>	<p>Bev has over 30 years of global financial services experience. Having managed institutional monies for over 20 years, she founded a boutique institutional advisory business, Edgehaven, in 2013 in Australia and the UK.</p> <p>Prior to Edgehaven Bev worked across the entire spectrum of asset classes, managing traditional and alternative assets as well as being head of risk for multi asset solutions. She has worked and lived in Australia, Singapore and the UK. Prior firms include the Queensland Superannuation Fund, the Australian Government Superannuation Fund, Sunsuper, GIC Singapore, BT and British Airways Pensions.</p> <p>Bev has a first class Banking and International Finance degree from CASS in London and a Masters of Applied Finance from Macquarie University, Sydney.</p>	<p>Ray is a managing director with Benefit Street Partners (BSP) and is based in the New York office.</p> <p>Prior to joining BSP in 2014, Ray served as a managing director at Deutsche Bank Securities, where his responsibilities ranged from the global head of distressed debt trading to co-head of credit fixed income trading in North America.</p> <p>Prior to joining Deutsche Bank, Ray traded a variety of credit fixed income products at Donaldson, Lufkin and Jenrette Securities Corporation as well as Swiss Bank Securities.</p> <p>Ray received a Bachelor of Arts from the State University of New York at Albany.</p>	<p>Craig serves on the Future Fund's Manager Review Committee and his areas of responsibility include credit, emerging markets debt, distressed investments, event-driven hedge funds, and insurance-linked securities. He was appointed Head of Debt in 2018 after serving as a Director of Debt and Alternatives.</p> <p>Before joining the Future Fund in 2014, Craig spent thirteen years at the California Public Employees' Retirement System (CalPERS), where he was responsible for allocations to a broad spectrum of hedge funds and other alternative investments as Portfolio Manager for Absolute Return Strategies</p> <p>Before entering the investment field Craig clerked for a U.S. bankruptcy judge. Craig holds a B.S. in mathematics from Harvey Mudd College in Claremont, California, and a J.D. from the School of Law at the University of California, Davis. He is a CFA and CAIA charterholder.</p>	<p>Laurence is an Investment Manager responsible for the ongoing management, monitoring and research for Sunsuper's diversified alternatives program. The Alternative Strategies program includes a large direct and co-investment program in specialist credit, with sector focus on asset backed opportunities in real estate, energy and transportation.</p> <p>Prior to joining Sunsuper in 2012, Laurence was based in London, UK for 5 years as a Portfolio Manager for Distressed Fund Furstenberg Capital and prior to that performed Hedge Fund Due Diligence at Alternative Risk Capital Holdings</p> <p>Laurence holds a Bachelor Laws from the Macquarie University and is the Co-founder &amp; Chairman of 10x10 Philanthropy.</p>