

Fund Finance Friday



Five Career Development Tactics (and One Digression) for Young Fund Finance Professionals

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By Michael Mascia
FFA Board Member

On Wednesday, 300+ attendees participated in FFA University 1.0, and I was fortunate to get to provide the Closing Remarks to the highly engaged group. Below is a rough summary of the remarks I provided, which focused on my longer term predictions for our market, along with some career development tactics aimed at young professionals in Fund Finance in light of the uncertainties in the current macroeconomic landscape.

Introduction

Thank you all very much for attending FFA University today – we appreciate your support and hope the program was helpful. And thank you to all our presenters who gifted their time to help teach our attendees. Thanks to Conyers for sponsoring the market update session and special thanks to Michelle Bolingbroke of the FFA for all her work pulling today off for all of us.

Coming off the pandemic, the Great Resignation, high inflation and rising interest rates, it is a really interesting time to be a young professional in Fund Finance. We are all bombarded with career advice, but none of it is tailored specifically to our industry, especially in the current ambiguous context. So with that in mind, I thought I would take our final moments to try and give you something different and share some predictions for our market and offer some unsolicited Fund Finance career advice.

Full disclosure: If you are part of the Quiet Quitter movement, I am probably not your people. I am just constitutionally incapable of understanding half-stepping and you will undoubtedly roll your eyes at everything I'm about to say. So you are free to go ahead and tune out. My thoughts are geared to those of you that are ambitious and want to level up your career.

Themes

Success Suggestions for Young Fund Finance Professionals. Two years ago at the first FFA U Europe event, I gave and published remarks titled “*Success Suggestions for Young Fund Finance Professionals*.” The article is the most-read thing I’ve ever published. Its central theme turned on the premise that Fund Finance is what I call “*An Annuity Business with an Incumbency Advantage*,” which continues to entirely hold true. What I mean by that is that our Fund GPs create successive Funds – Fund I, Fund II, Fund III, etc. And if you are the banker on Fund I, and you do a great job on Fund I, you are highly likely to get the mandate on Fund II. And this has a lot of industry structural implications you should mold into your career tactics. I’ve included that article in the materials (available electronically [here](#)), and I’d encourage you all to peruse it. It includes a number of the tactics I rode over the years to some significant successes, and I hope it might be of help to you.

New Themes. But today, I wanted to focus on two themes that are massively pressing right now in the Fall 2022, both of which I think are going to be highly relevant for the next three-to-five years of your career. Right now, we have a very cluttered macroeconomic environment, with high inflation exceeding anything we have seen during our professional lifetimes (No, I’m not old enough to remember Paul Volcker’s “Churchill moment” as Fed Chair). We’ve got rising interest rates; we have geopolitical uncertainties; we have decreasing bank reserves as the Fed slowly takes on Quantitative Tightening; and we anticipate higher bank capital requirements forthcoming. As a result, my first premise

and theme is that ***The Rate of Change in Fund Finance Is Going to Accelerate Considerably***. Maybe not as fast as change came in 2009, but certainly faster than what we have experienced the last decade. And, thus, tactically I believe we should all aim to position ourselves to be successful in a rapidly changing landscape.

Second, I think ***Fund Finance Is Going to Increasingly Intersect with the Capital Markets***. If you look at the growth of private capital over the last decade, and the growth that's forecasted, and the need for PE-like returns for pensions all over the world to meet their beneficiary obligations, I do not think bank capital can keep up. Many banks already have out-sized exposures to non-bank financials. We are starting to see and will continue to see insurance monies enter the space, but that simply won't be enough. Thus my forecast to you is that Fund Finance will collide with the Capital Markets. I think a lot of Investment Banking products will move up from the corporate/portfolio company level to the Fund level. Think products maybe like these: High Yield and Investment Grade NAV Bonds, CLOs of Subscription Facilities, SCFs on a Loan Trading Market, maybe eventually NAV Bond Mutual Funds, IPOs of Funds themselves creating Berkshire Hathaway-type conglomerates, etc.

So, if I'm right, and both the rate of change is going to materially accelerate and Fund Finance is going to increasingly intersect with Capital Markets, how do you all play your hand? I've got five tactics (along with one digression) to discuss that I invite you to consider for your arsenal.

Career Tactics

Recommit to Being Informed. The first thing I would suggest – and you know this, you've just neglected its execution – is recommitting to picking your head up and being informed. The Fund Finance markets were so full out during COVID, many of us just put our heads down to crank and focused exclusively on client service. It is time to get your head back up a good bit. The quality of your client service will increasingly turn on your ability to work a transaction in the greater context of the evolving macro environment. You need to be in *The Wall Street Journal* every day, *Bloomberg*, the *Financial Times*, etc. You need to be up on Prequin, *Private Funds CFO*, *The Drawdown*, etc. I read 2.5 hours a day and a ton on the weekends. My role is different and I get that – but I think young professionals should aim for 90 minutes a day. You should have CNBC on in the background a lot – your clients' CEO's are speaking every day and you want to hear what they think. If you are a lawyer, are you listening to your bank clients' earnings calls? Your clients are. In a rapidly changing environment, your clients will increasingly be able to distinguish between those of us who are informed and those who are not. Be the former.

Today was FOMC day – the Fed raised rates by 75 basis points a couple of hours ago. A good litmus test for you is: Did you have a view on what you thought the Fed was going to do today and do you have an opinion on their decision? Should they have jumped all the way to a 4.5% restrictive rate to tackle inflation head-on or do you think monetary policy works with a lag and they need to allow some time to pass to see if the prior three rate hikes will have the desired effect? If you don't have an opinion, you should be honest with yourself; that's probably a pretty good signal that you need to recommit to being informed.

Recession. Here is my digression. One of the things you'll immediately pick up in the press is an overriding media narrative around fears of "Recession." It's everywhere, so I want to address it. We should all remember: Recession is not a synonym for bankruptcy. It is not a synonym with your children starving. You are going to work through six recessions in your lifetime. I've made good money during recessions. Most of us remember 2021 and would probably appreciate a 7% downshift. So don't freak out. As I mentioned, I read a lot, and the 2021 Mike Mascia Business Book of the Year – if there was such a thing – was *Inside Money: Brown Brothers Harriman and the American Way of Life* by Zachary Karabell. I love this book; you've all got to read it. It's basically the biography of the Brown Brothers Harriman firm. During what was probably the panic of 1869 or something, Alexander Brown, the Firm's founder, had just handed off control of the Firm to his sons. A recession hit and they were freaking out about gold prices or the like. Grace, Alexander's wife, is quoted as saying: "*I should be ashamed if any son of mine were not man enough to bear misfortune, when it comes.*" I love that quote – what a baller she must have been. It reminded me how badly I initially panicked during the 2009 financial crisis. Wachovia had just failed, and we had to lay off a couple of Associates, and I called my dad so depressed. And I said, "*Dad, that is just awful, we just had to fire one of my guys, and it was terrible, and my big client just failed, and it's getting acquired, and I'm not going to have any clients in Charlotte.*" And my dad said something to the effect of: "*Get your tail out from between your legs and cowboy up. Go see and service your clients better than your competitors. Or else you're the one who is going to get laid off and frankly you'll deserve it.*" Ouch.

Smart people learn from the mistakes of others. Don't get scolded by your parents. Do not panic.

So what are some of the things I did during the GFC: I picked up some hours from the litigation group to pad my billables. I knocked out a bunch of pro bono work and personal things the weeks I was slow, so when I was busy again I had no distractions. I committed to seeing, in person, 90 bankers in the next 90 days. In fact, I drew the right downward slash of 90 X's on my paper calendar, and every time I saw a banker, I made the left slash to complete the X. I exceeded 90. And, we grew our practice every year through the GFC. In a recession, fall back on what made you great in the first place. For me, it was hustle, execution and maintaining personal relationships.

At the moment, we are lucky and the economy is proving quite resilient. But if I were you, I'd want to prepare for "come what may," and I'd really focus in the 4th quarter of this year on increasing my indispensability to my platform. I'd make some deposits in my hard work account so they're there if I need to make a withdrawal. I'd volunteer for some additional opportunities. I'd try to take some administrative tasks off of my superiors and cover for them. I'd lean into providing an excellent customer experience so my clients are singing my praises.

Enough on recession; I still believe in "soft landings."

Expanding Your Capabilities. If things are going to change rapidly and Fund Finance is going to increasingly merge into Capital Markets and I-banking products, you need to expand your current capabilities. Jeff Johnston advises mentees: *"You are the captain of your career,"* and I really like it. A great boss will help you, but, ultimately, it is your own responsibility to prepare yourself for what's on the horizon. You need substantive exposure to product adjacencies to expand your competencies. Be affirmative: Go seek them out. Go ask to work on a different product. If you just ask once and then wait for something to fall in your lap, when it doesn't come, IT IS YOUR FAULT. Be accountable: you need to make things happen; you take ownership. While learning substantive adjacencies is fundamentally important, in a period of rapid change, far more important is learning to be comfortable stepping outside your comfort zone and doing new things. My themes suggest you are going to have to do many, many new things or you are ultimately going to be passed by and disintermediated. You have to build the skill of being comfortable operating through ambiguity; it is going to be an essential tool in the toolkit for all of you. I'm trying to put my money where my mouth is: I've given up the comfort and security of being a senior lawyer with 24 years' experience to try my hand at being a banker and executive. You all can muster the gumption to take on new projects.

Mentors Will Be Increasingly Important. You need to invest in your mentor relationships – that's relationships, plural. One of the common requests seniors get is for more mentoring. Good leaders are all over the importance of mentoring and try to facilitate channels to encourage it. But it is very rare that mentees maximize the opportunity here. I was in New York over Labor Day weekend, and my wife was crossing the street, and a car came fast around the corner and I yelled, *"Be careful,"* and she responded: *"Well, it was his fault."* And I gingerly replied, *"From our family's perspective, if you get hit by a car, it sorta doesn't matter whose fault it was."* And mentoring is the same, if you don't have productive relationships, it is you that loses. I've said this a lot: If you sit in your office and wait for your assigned formal mentor to come by and "drop some knowledge," you're going to be sorely disappointed. Your mentor wants to be a great mentor, but they have three deals closing, a sick nanny and an ophthalmologist appointment later this afternoon. They are busy. You need to take responsibility for ensuring a productive mentor relationship. Make it easy for them. Be affirmative. Go see them, schedule a coffee, forecast questions in advance so they have time to consider them thoughtfully, bring a proposed solution to your own problem and ask for their feedback on your solution. Send them a thank-you afterward to reinforce the relationship.

You also need mentors outside of your practice area to give you a window into the wider capital markets. Over the next few years, you may face questions like: *Who in the Firm can help me think about underwriting an energy company in a concentrated NAV deal? How do insurance company regulatory capital rules differ from bank reserve requirements? How much should I value an investment banking capability at the new bank I'm considering a job from? What are our SEC compliance obligations if we provide a loan in a bank/bond NAV deal?* Having mentors in different product areas with fewer degrees of separation from your issue will get you to your answers far faster.

You also need mentors outside of your organization because there are certain career inquiries that just do not sync with an internal sounding board. The FFA has a mentor program that tries to help with this. Julian Black, a long-time partner at Walkers and Appleby in the Caymans was a great mentor and supporter for me (and for whose support and cheerleading I'll always be grateful). I've informally mentored a good number of FFA U participants over the years, and I'm always here to help. Connect with me on [LinkedIn](#) and reach out – I always respond.

Work From Home. One of the biggest issues occupying everyone's mind share right now is return to work policies, so I'd thought I would share some ideas in the Fund Finance context. I think WFH is a great development, but like everything, it has important nuances and a downside to balance. As a young professional in our space, I would embrace WFH as an additional tool to enhance your overall productivity. As an obvious example, if you have a credit

memo to draft that's going to take 14 hours and saving two hours of transit time will allow you to get it done tonight, it's a positive IRR decision to WFH. And I would define your "productivity" in an expansive way: I loved the show *The Sopranos*. Tony Soprano was a mob boss – which is compelling TV in its own right – but what made *The Sopranos* groundbreaking was that the show followed Tony all the way home, where he not only had to deal with loan sharks but also with a son that got suspended from school for skipping class, a daughter who missed curfew, and a wife that was ticked off that he left the toilet seat up. We are all like Tony; we all have things waiting at home for us that are real and are important. If WFH can help you be more present in your home sphere – if it can help you not leave the toilet seat up – that's great. Use it. But I would be super honest with myself in assessing whether I was using it to genuinely enhance my productivity or just to coddle my own lazy. In Fund Finance, personal relationships are the biggest thing; in some ways, the whole game. It's unrealistic to expect to develop lifelong friendships and relationships with your clients and colleagues from your couch. And we just talked about mentors. It's unrealistic to expect a mentor to be fully engaged if you are just a box on "Hollywood (Zoom) Squares." So cut the right WFH balance.

And Finally, Feedback. Fund Finance just endured a massive dose of Great Resignation. I had a ringside seat... And I am convinced that one of the fallouts from that is that your generation is going to miss out on several years' worth of essential constructive criticism and feedback. Follow me here: I aspire to shoot straight with people on their performance – I feel I owe you that. But during 2021, virtually anyone you gave even a whiff of constructive criticism to had multiple job offers in their pocket and simply quit, almost immediately. When you gave negative feedback, if you kept score between those people who were completely defensive about it vs. those that were appreciative of the improvement suggestions, the game ended something like 10-1. Frankly, it got so embedded that I saw people refuse to even work with clients that gave them negative feedback. And thus, it immediately conditioned the behavior of every management chain: WRAP ALL YOUR FEEDBACK WITH SUGAR CANDY. With hiring and retention so difficult, the benefit of constructive feedback came nowhere close to its detriment, so it completely ceased (outside of extreme failings). That's a profound change.

So where does that leave you? It leaves you with bosses that are going to reflexively tell you how awesome you are for the foreseeable future, even if they think your performance could improve. Is that really what you want? Do you want to be coddled? I doubt it. What I want is to have full visibility and transparency into my leadership's honest assessment. That way, I can ensure my performance meets and exceeds expectations on the issues they actually care about, not just on my perception of what they care about. So what do you do? You need to go absolutely out of your way to make them comfortable giving you constructive criticism. Seek it: *"Thanks for the great feedback. Can you give me several examples of how I could have done this even better?" "What would have been some additional things I could have done to next-level this project?" "I'd really like some tough love to get better – c'mon, be honest with me."* Be persistent and don't accept a kind brush off. Very few people are approaching your boss like this and you will stand out (although that's not the point: the point is to hear the feedback and incorporate it into your A game). Notice: a consistent theme repeats: you be affirmative, you make it happen. It is your career we are talking about.

And speaking of feedback, if anyone has suggestions for how we can make FFA U better, I would welcome them.

Conclusion

Yes, there are uncertainties and challenges on the horizon. Yes, the landscape is going to shift, and you are going to need to be nimble to navigate the curveballs. But that's business; that's life. There is so much opportunity in our space: enough opportunity to excite me about reinventing my career and building something new again. I have a lot of conviction in the growth of private capital and the corresponding growth in fund finance. It won't all be perfectly up and to the right like it was the last decade, but I really believe a decade from now our industry will have 3x'ed again. You all have really bright futures in the space. But they are your futures and it's your responsibility to drive your own success. I appreciate you listening to me, I appreciate you all attending FFA U, and if I can do anything to help you, please don't hesitate to reach out.