

Fund Finance Friday



Player Profile — Mike Breaux

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FFF: How did you end up in fund finance?

Mike Breaux: Like many others, I ended up in fund finance by coincidence. While working in the credit department at my previous bank, I was approached to fill a recent departure in the fund finance group. The concept of bridging capital calls with a line of credit seemed to make a lot sense, so I dove straight in, and the rest is history.

FFF: First half private equity fundraising reportedly came in at a four-year low. Do you think this is temporary?

Mike Breaux: Looking at the data, it was a very modest drop from 1H 2018. It certainly feels cyclical and not indicative of any larger trend. I'm keeping an eye on potential headwinds, though, including the political dialogue around private equity going into the 2020 election.

FFF: Do you see this slowdown affecting the fund finance activity at Stifel?

Mike Breaux: Definitely not. Of all the funds I talk to, the appetite for fund-level borrowing is either increasing or staying the same, but never reversing. This has led to a wide array of opportunities, both subscription and asset based.

FFF: Performance reporting seems to be receiving constant attention as of late. In May, Warren Buffett made some unflattering comments about fund reporting. More recently, we've seen advocacy in favor of reporting hypothetical ex-facility IRRs. What matters most here for lenders?

Mike Breaux: I think lenders need to keep doing their part to encourage and facilitate GP/LP transparency. Keeping loan terms clear and unambiguous is a given. Lenders can also provide a granular system of record data to allow GPs to easily query ex-facility IRRs and other metrics.

FFF: What advice do you have for the young fund finance banker just getting underway in the sector?

Mike Breaux: Embrace it! Fund finance is a great forward-looking industry. Transacting at the fund level typically means you get exposure to a wider breadth of underlying asset classes and fund strategies than you would in other career paths.

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

Mike Breaux: Keep the conference in Miami! The 2019 symposium was great. Otherwise, just keep the content fresh with perspectives across many different institutions, especially now that we have a record number of players in the space. And I know it's hard in such an opaque industry, but any efforts to produce metadata on fund finance, such as the FFA survey, is much appreciated.

FFF: Tell us what do you enjoy doing outside of the office?

Mike Breaux: I've been playing a lot of beach volleyball lately! Although my jump serve still needs some work.

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

Mike Breaux: Competition will continue to increase as new entrants become established – ultimately providing better offerings for sponsors. Fund-level financing will continue to inch its way up the list of LP-facing topics in order of importance, leading to more transparency, which is a win-win for everyone involved.