

# Fund Finance Friday



## Player Profile: Fi Dinh

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Player Profile



### FFF: Tell us a bit about how you ended up in fund finance and then in Singapore?

I joined banking from a background in fine arts and political public relations – hence, I spent the early part of my banking career in various risk and middle-office functions at Barclays UK and Dubai to learn my way around a bank. Finally, in 2012, I was ready to make the move back into the front line, and joined Barclays London's NBFIs coverage group. At the time, Barclays was looking for more innovative solutions to service the private equity sector than the traditional acquisition finance and cash management products.

I started to go to as many conferences and seminars as I could and talked to people to learn about the sector, as well as made myself a bit of an expert in fund-level hedging/derivatives, treasury, liquidity management and trade finance to complement my boss' deep expertise in fund-level lending. I can remember the hundreds of cold-call emails, LinkedIn stalking and pavement pounding we did in those days. In combination with referrals internally and externally, we started to gain traction. I then learned about subscription financing, starting with small bilateral deals and then went on to lead large syndicates across multiple jurisdictions. And the rest is history. We built a very successful private equity franchise at Barclays and expanded the business from London to New York and Hong Kong.

I will always remember those days with a warm heart and be grateful for the opportunity to develop my technical and entrepreneurial skill set in fund finance, which put me in a great position to take on my current role at ING to help build out the business across the APAC region. ING has offices in 14 markets in Asia, with Singapore being the regional headquarters, hence I moved over to Singapore in January this year.

### FFF: How does servicing funds in your current role differ from your prior roles focused on EMEA and U.S. funds?

In my experience so far, the Asian market is much more fragmented and dynamic than the U.S. and Europe. The main centres of Hong Kong, Singapore and Sydney continue to influence terms, but domestic markets in Japan, Korea, China and developing Southeast Asia are catching up fast, each with their own individual flavour. I was thankful for

having the experience serving both the U.S. and European markets previously. In Asia, there is no such thing as "standard market terms." It is just growing so fast. The market here always strives to leverage best practice elsewhere and then add its own requirements. Having a wide range of experience and established teams across the world enabled us to respond quickly to the need for tailored solutions for each client in the region.

On the other hand, given the nature of the market, funds tend to have a more concentrated investor pool. It is not uncommon to have funds with less than ten investors, or SMAs and co-investment vehicles raising hundreds of millions, or even billions. Perhaps in line with the U.S. and European funds markets, given the amount of capital looking for yield, time in fundraising for funds seems to have significantly shortened over the past few years. Whilst private equity and private real estate continue to dominate, other asset classes such as credit and secondaries have gained traction, albeit more opportunistic in nature.

When I first moved over, I drew a distinction between U.S./Europe sponsors with Asian funds, and local sponsors. From my observation, many of the former continued to leverage on the terms driven out of the U.S. and Europe, which was my comfort zone. Local players tend to be more nimble, and they expect a much more tailored approach and are less driven by precedents. However, over time, this distinction became more blurred, and the local operations of global sponsors became more autonomous with their own set of relationships and challenges. Even at term sheet version number 10, one can never really take anything for granted, which definitely keeps me on my toes.

It is challenging to compete against well-established, generational relationships and cheaper cost of capital, but the sheer burst of entrepreneurship means that there is always room for new players who strive to add value. We are closing our 12<sup>th</sup> deal since starting to book fund finance transactions locally in Asia since this past January.

**FFF: The growth in the Singapore asset management industry continues to impress. Total AUM approached \$2.5 trillion last year, but the rate of growth — almost 20% on the year — has been even more remarkable. The new variable capital company fund structure could add further momentum. Do these trends translate to real opportunities for fund lenders?**

There has been quite a lot of talk around the new Singapore Variable Capital Companies ("VCC") structure for investment funds. Many thought this could be a game-changer for the fund management industry, both in Singapore and across the APAC region. However, from what we are seeing, the adoption rate is still at an early stage. Some took the view that the legislation draws on existing frameworks from other jurisdictions such as Luxembourg, Ireland and Mauritius, among others, and thus simply brings Singapore in line with other international investment fund hubs. Whilst there might be some truth in that, in my personal view, the significance of the legislation is not the VCC structure, in and of itself, but that Singapore has demonstrated to the global LPs/GPs community its willingness to fundamentally change everything about establishing a fund in Singapore in order to support this industry. I think that this has a far more powerful and lasting impact, particularly for an industry which operates on confidence.

In our experience, Singapore has historically been used (particularly by real estate funds) for HoldCo structures. I do think that the various innovative initiatives by the Monetary Authority of Singapore ("MAS") to make the setup process efficient and cost-effective, as well as incentives for re-domiciliation, will make Singapore a much more attractive fund domiciliation location going forward. We have already seen funds setting up Singapore parallel funds in addition to the Cayman or Luxembourg vehicles used in previous vintages. We have closed a number of transactions under Singapore law, and there is a lot of similarity with other common-law jurisdictions that most fund finance practitioners will be familiar with.

This also presents real opportunities for lenders to innovate, particularly those with deep experience in similar structures in other jurisdictions and the imagination to adapt them to the VCC regime and local requirements. The sector has much more room to grow.

**FFF: We tend to think of higher levels of uncertainty and volatility in the public markets as helpful to private capital raising. Do you agree? Is this consistent with what you're seeing from your vantage?**

Portfolio diversification is a key pillar in any portfolio manager's tool box, so the answer to this question is not a binary one. What I would say, though, is that the higher level of uncertainty and volatility in the public markets created an interesting dynamic exchange between the public and private markets. Asset prices have soared, trophy assets seem to be enjoying public-style exposure and there are more public equity holdings by private equity funds than in the past. This poses an interesting question on market correction and whether the public-versus-private market trends have more similarity than one would traditionally expect.

On the other hand, LPs tend to have separate baskets of allocation to the public versus private asset classes. Therefore, whilst there have been some notable increase in institutional LPs' allocation to alternative assets given the strong performance of the asset class in the past couple of years, public equities and fixed income products continue to make up the majority of capital allocation worldwide. In the meantime, the number of private capital funds looking for commitment has also rocketed. This, combined with the trend where LPs consolidate the number of GP relationships they manage, means that if there is indeed some net gain, it would be the household names with established relationships and track records or those with a truly unique proposition who would benefit more than others.

Having said that, there are definitely opportunities amidst investors' search for yield. We have seen Korean and Japanese LPs become much more active abroad, particularly in Europe. Longer term asset classes such as infra and real estate are the main beneficiaries of this. From the neighboring continent, we are seeing German investors becoming more active in Asia. Other long-term investors in Asia are also following established principals who have spun out from global PE houses into their own billion-dollar funds. So there are many interesting developments across the markets that we are keeping a close eye on at the moment.

**FFF: Another high-profile potential down round IPO is playing out in the headlines. Without naming names, let's just say a number of unicorns have now had down round IPOs in 2019 or subsequently settled into trading below initial listing prices. Is this a narrow issue limited to U.S. tech companies or is it maybe something broader in private market asset pricing?**

Ultimately, the price of something is how much someone is willing to pay for it. It seems that investors' confidence is waning, people are expecting the music to stop and they don't want to be left holding the baby. An IPO is only one exit route, and I felt that inflated asset prices are a general trend across the board and it is not unique to the U.S. market or even the tech sector (albeit it is certainly more prone to subjectivity than some others). We have enjoyed a long recovery road. The value of money has eroded over time with various fiscal stimuli, which amplified the effect of inflated asset pricing. This is one of many "stress" indicators that we have seen more and more frequently. It will be interesting to see whether "this time is different."

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

I was lucky to have been mentored, supported and coached by many talented professionals over the years, each having played a significant role in different episodes of my career. However, within the context of fund finance, it's got to be Gavin Rees. He was my first teacher on subscription financing and was a friend, mentor and a big supporter. I learned so much from him – not only his technical knowledge but also his drive, tenacity and the effortless dry humor (I'm still trying to work on this one!). I will always be grateful to Gavin for the baptism by fire all those years ago from where I have discovered my passion for this sector.

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

Actively find where you can add value. It doesn't have to be headline-grabbing, but create something that people will pick up the phone to call you about.

**FFF: What is uniquely enjoyable about living in Singapore?**

Singapore has so much more to offer than many people give it credit for. Since moving over, I tried swimming, trained in MMA and took up bachata classes. There is a diverse range of communities here to expand your network and experience. It is also a great hub to get to know the region. For a weekend, one can do anything from horseback riding in Malaysia or kite surfing in the Philippines to volcano trekking in Indonesia or simply street-food tasting in Thailand. The world is your oyster, and Singapore is your champagne!