Private Equity International

Furthering gender diversity in fund finance

Driving change at the leadership level requires a strategic approach to hiring and career development, says Women in Fund Finance global co-head Dee Dee Sklar

In 2017, Women in Fund Finance (WFF) was established with the support of the Fund Finance Association (FFA). Global co-head Dee Dee Sklar tells *Private Equity International* how the organisation works to advance gender diversity in the industry and why continued action from market participants is needed to increase the number of women in leadership roles.

Q Why was WFF set up and what are its aims?

In the early 2000s, the pace of growth within the fund finance market led to the creation of a community of like-minded banks and law firms, which met to develop certain consistencies. This community eventually included so many firms that in 2011 the FFA was founded, hosting events in the US, Europe and Asia.

As senior women got to know each other, we became aware that we faced similar challenges moving our careers forward and paving the way for rising women within our own and external firms. It was clear we needed our own organisation to collaborate and support each other globally. With the support of the FFA board, we launched WFF in all three jurisdictions with a structure of co-heads and committees comprised of individuals from banks, law firms, private markets firms, insurance firms, investors and now rating agencies, accounting firms and other constituents.

WFF provided the opportunity to re-engineer the formal and informal barriers to advancing gender diversity in what has traditionally been a non-diverse and primarily male investment banking and structured finance culture. We quickly discovered there were male allies supporting such efforts within many of our firms, and from inception we set up a cultural focus on DE&I. WFF allowed us to set the tone early in the development of dedicated fund finance and related business models.

WFF now hosts events in the Americas, Europe and Asia-Pacific, focusing on three main pillars: industry education; professional development; and social networking. Our events were attended by 1,900-plus people virtually and in-person in 2023, and today we have 73 sponsoring firms and 10 new sponsors already committed for 2024.

Q What obstacles are there to greater gender diversity in fund finance and how can these be addressed?

There is no doubt that there remains an opportunity to increase diversity at the leadership level in fund finance and in the market more broadly. Change must be purposeful, which means putting in place strategic hiring plans and a strategic focus on elevating diverse early, mid and late-career talent who are ready for their next career experience.

We all speak about diversity of thought, yet many firms do not create this mindset. That said, so many more people are working on doing so than in any other decade during my career. True visionary leaders understand the cultural and business advantages of a diverse team.

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I am pleased to see the rise in diverse talent since the inception of WFF, with so many women moving their careers forward, both internally at their respective firms and externally at new firms, including by launching new career paths and broadening their experiences. Because of the sense of collaboration at WFF, rising stars within the organisation have become senior leaders who continue to support our mission, remain on committees, execute and speak at events and contribute to planning content. Our combined experiences and networks are powerful in advancing careers.

> *"True visionary leaders understand the cultural and business advantages of a diverse team"*
>
> **DEE DEE SKLAR**
> **Women in Fund Finance**

Q What issues have been on members' minds in 2023?

Top of mind for FFA and WFF members is liquidity – this includes banks, non-bank lenders, law firms, PE firms, insurance companies, accounting firms, rating agencies, fund administrators and others within the alternatives sector. Commitment levels and tenors have decreased (due to regulatory capital changes and the exit/reduction of a few key players), while pricing has increased due to a supply-demand imbalance. Law firms are challenged with domicile protections and changing regulatory frameworks in all jurisdictions.

Before the regional bank failures, non-US banks were facing the implementation of Basel requirements that are time sensitive. These banks have been evaluating their models and capital treatment to maximise returns. Banks are choosing which asset classes to participate in and are focused on the best returns under the new regulatory capital requirements. Regulators in different jurisdictions have different requirements and options to reduce the capital requirements based on risk-weighted asset levels.

European banks appear to be ahead of the US – some have changed or implemented securitisation methodology to their facilities and others have chosen to obtain external credit ratings for their facilities. Changes in US banking regulations will also require more regulatory capital to be held against most fund finance lending. Since most fund financing is in the form of subscription, hybrid and NAV-based lending and has been provided to private equity by banks, all these regulatory capital changes for banks will have an impact on terms.

Regional bank failures have caused a major disruption in the fund finance market by removing significant sources of liquidity in the short term and, despite takeovers of the banks and new entrants (both bank and non-bank), overall liquidity is being reduced over the long term. The fund finance market has significantly grown year over year for the past decade, but 2023 will close showing little to no growth.

While fundraising has also slowed in 2023 given previous funds have been slower to deploy, there is an apparent supply-demand imbalance in fund finance. Just as we have seen institutional investors reduce the number of sponsors they choose to invest and partner with; the banks have followed suit based on overall relationship returns and cross-mapping of products, services and deposits.

Some non-bank lenders have joined the fund finance market and taken advantage of higher overall pricing. However, they have not emerged enough to compensate for reductions in banks' balance sheet commitments, in part due to the operational aspects of handling revolvers or in some instances the multi-currency features of legacy fund financing. Recent insurance company solutions and participations, along with rated structures, are increasing as part of the overall solutions available.

Q WFF holds events in EMEA, the Americas and Asia-Pacific; how has the fund finance market developed in those regions in the last year?

Several banks stepped out or decreased their originations or hold amounts depending on the reciprocal value of client relationships. However, there have been new providers of sub lines and other fund solutions in each region, including new banks, non-bank private equity funds and insurance companies. Many such participants stepped up to lead financings at the fund and asset level and increased their infrastructure build in each region to meet the needs and accountability of being a lead agent. Among fund solution providers, the non-bank lender market has increased to a size not imagined five years ago.

As they say, water finds its level, and market participants in each jurisdiction have been busy all year. Hosting events in each region helps provide awareness of products and of other market participants. It also allows for greater connectivity and sharing of product knowledge, which ultimately increases the number of participants in each region. ■

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