BRICKFIELD
FUND FINANCE
RECRUITMENT

Fund finance recruitment roundup: New market conditions, new approaches

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Fund finance recruitment: 2023 in review

It has been something of a rollercoaster year for fund finance, which has reflected strongly on Brickfield's experiences as its only dedicated recruitment specialist. While we are pleased to report continued growth and demand for talent at all levels, there have been ups and downs, mostly driven by the US regional bank failures and the resultant fallout, which from a recruitment perspective, happily did not last long. Hiring was put on hold for a short time while the dust settled, and within weeks, when it became apparent that there would be minimal contagion across the market, confidence, and an appetite for hiring returned.

This year has also seen us deal with more new clients than ever before, which in our view is partly down to the shocks the market took early in the year – many top tier banks found themselves working with restricted balance sheets and therefore cut back on growth priorities, which meant that space opened for new players targeting growth to take advantage of the changing liquidity environment.

Shift in market focus

All these events have meant that in 2023, demand has been for a wider variety of talent than in previous years. There have been more hires at more senior levels, and more legal roles, especially those focusing on NAV rather than traditional sub-lines. We have also had several interesting discussions around private practice lawyers potentially bringing their skills and experience in-house. In addition to this, we have experienced a shift in the reasons for hiring this year towards the strategic. Rather than hiring to meet an immediate need or plug a gap, there is now more of a tendency to hire with not only business growth in mind, but also developing a competitive edge in the marketplace by finding the right talent.

We have been busier than ever with candidates this year. There are still numerous fund finance professionals looking for new opportunities, particularly with organisations that have platforms with potential for growth.

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The USA

The US fund finance market faced some major challenges in 2023 due to the regional bank failures, especially the collapse of three that were major fund finance players. These banks had large teams conducting a huge volume of deals, and their failure created an overflow of talent as competing regional banks paused or slowed hiring while the market played out and balance sheets remained restricted.

The top tier lenders in the US have in the meantime been fairly quiet. Their teams are mostly already optimised for their current needs, and it is usually only when they lose an individual that they look to the external hiring market. However, the questions of budget and headcount make even this course of action no longer the foregone conclusion that it was.

Despite the events of early 2023 (or perhaps in some cases because of them), some new regionals are still entering the market. They still have an appetite for growth and have built new teams around the best talent scooped up from the failed banks. We anticipate that they will be in growth mode from a recruitment viewpoint throughout 2024. Experience will be at a premium as many do not yet have the resources in place for in-house training and are taking a 'plug and play' approach with new hires.

In short, the landscape in the US has changed dramatically, and we feel that in 2024 the set of dominant fund finance lenders will undergo further shifts. It will be interesting to see how the competition between the high street names and the new market entrants plays out, and how the remaining regionals manage to assure prospective employees that they are a safe port in uncertain waters.

The UK

On the other hand, the UK market has picked up, with greater stability than the US has experienced. There has been a lot more hiring in the UK, which we predicted this time last year. Some new players have come into the market with the introduction of a new digital fund finance marketplace, which is potentially a solution to the problem of balance sheet constraints. This kind of innovation in the space is encouraging to see, and we are expecting more digital platforms of increasing capability to be deployed in fund finance over the next several years. This in turn may attract more new lenders to the market and help further diversify its sources of funding.

US lender perspective:
Michael Mascia, Everbank

"2023 was a unique year. Because of the disruption in the regional banking sector, we were fortunate to be able to attract some extremely talented and experienced candidates that otherwise would have been perfectly happy in their current roles, but for the involuntary transitions and instability at their organizations. And those recruiting wins enabled us to accelerate our execution plans.

The fund finance markets are increasingly intersecting with multiple adjacencies: CLO's and securitization technologies, LBO underwriting methodologies, back leverage and rediscounting, the bond market and insurance distribution, etc. From our perspective, we want to play at the cusp of that innovation. So from a talent perspective, we want to find candidates with experiences at these intersections.

The market has been incredibly supportive and receptive in 2023 to EverBank's fund finance entry and we are really optimistic for 2024 and the opportunity to firmly establish our franchise and support our clients. We are fortunate to have balance sheet to bring to market and an underwriting framework that we think will enable us to provide unique and tailored capital solutions for our clients. We think sorting the NAV lending landscape next year will require great care – particularly for pre-COVID vintage equity strategies – and there will be further challenges in the greater private markets that will need to be well-underwritten, downside stressed and structured around. But the growth in private credit especially, particularly in alternative credit segments that lack a mature leverage market, will create plenty of opportunities to continue the greater fund finance growth profile."

The advisory scene

Fund finance advisors has also had a good year, helping clients navigate the market. The services that they provide have come to the forefront of the fund finance market, and of course, you know we've done a report specifically focussed on the advisory side of fund finance due to their presence in and commitment to the market.

Legal trends

We expect law firms to stay active, and we expect them to continue growing in the space, especially around NAV lending rather than traditional subline lending.

Funds perspective

On the funds side, we anticipate consistent hiring around the associate and VP level in order to support treasury in optimising and overseeing fund finance facilities, and taking some of that responsibility back from treasury.

NAV continues growth

We anticipate NAV lenders will remain in growth mode, however, they run very lean teams and the amount of NAV talent out there is minimal. If the market rushes at the same time towards NAV in 2024, there will be huge demand for NAV talent.

Conclusion

Our key observation as we head into 2024 is essentially that while the market is not as busy as it could have been because of balance sheet constraints in the subline space, fund finance is proving an adaptable business in a changing financial climate, which has brought entirely new career opportunities for many individuals, especially in burgeoning fields such as NAV.

Our constant presence in the market and global reach has made us the first point of reference for both candidates and clients. Our insights into the fund finance business is a result of the work we do day in day out speaking to people across the whole ecosystem, so we can piece together the puzzle, connect the dots between upcoming opportunities, and match the right candidates to the right clients at the right time.

UK legal perspective:
Samantha Hutchinson, Cadwalader, Wickersham & Taft

"Despite the persistent macro and micro challenges, we saw another year of 20% growth, so expansion to accommodate that increased volume was a big focus for us resulting in seven new hires to our team. We also brought in one of the leading ESG partners to reflect the increased appetite for ESG-linked subscription/NAV facilities from our lender and GP clients, and our team has been working closely with her. We continue to use and explore cap markets inspired solutions to the challenges faced by our industry and so cross-practice transferable skill-sets have become increasingly important.

I think we will continue to see difficult market conditions through at least part of 2024 which is where fund finance comes into its own with our ability to structure creative solutions to meet a manager's specific liquidity needs. Lawyers who can innovate, know the market inside out, and can provide solutions will fare well. Cap markets skillsets will be increasingly important, and I think we will reach a point next year where a meaningful amount of the work we do will involve our cap markets teams. Lawyers with both skills sets will be particularly valuable."

Brickfield is the leading fund finance recruitment specialist

Brickfield Recruitment is the only talent acquisition service dedicated to the fund finance sector. Our in-depth knowledge of the fund finance market, complimented by a diligent and discreet personal approach, gives us an unparalleled ability to bring the right people together.

We listen, we advise, we match.

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