# Fund finance advisor spotlight: Deloitte

IN the second of our features profiling some of the leading lights in the fund finance advisory, we meet **Jamie Mehmood**, who leads the fund finance advisory business in **Deloitte's** debt & capital advisory team.

• **How did Deloitte's involvement in fund finance originate, and how has the team and the operation grown since it was established?**

• Jamie Mehmood: We are part of the Deloitte debt and capital advisory team, which has been in existence for about fifteen years. It's a very well-established team and one of the biggest debt advisory teams in the UK, with around 140 people across the country and a similar number across Europe. It's a sizeable business with significant bandwidth, which is one of the key differentiators for Deloitte which resonates with clients.

The debt and capital advisory team's genesis came about through the leverage finance market, working closely with private equity clients. The business has since diversified into areas such as corporates, treasury, hedging, infrastructure, real estate, alternative capital solutions and, since 2020, has established a distinct fund finance advisory team. The team has grown rapidly even in the last couple of years, nearly doubling from around 75 people when I joined in 2020. This has also been reflected in the fund finance advisory team, with the firm investing heavily in attracting talent and experience from a range of different lender backgrounds to grow the team from two to eight people in that time, all of whom are focused full-time on the sector.

• **Has the business met your collective expectations?**

• Absolutely. At the point that I moved from lender to advisor, advisory in fund finance was still very much a nascent market. I was a lender and, mindful of the importance of the lender-borrower relationship in what is a relatively small and interconnected market, ensured I brought this perspective to the role of an advisor in fund finance. I hope that we have proved over the last three years that advisory can be accretive in fund finance, acting not as a disruptor and disintermediator, but more as an enabler, making the market more efficient for both borrower and lender.

• **What aspects of the service that you offer do clients value the most? What do they cite as the reasons why they want to work with you again?**

• I think that one of the key areas of value-add is simply that my team can run a process in a more efficient way than an FD typically can do themselves. There are many wider demands to their role and so there is an immediate benefit to the FD in terms of time efficiency, removing the opportunity cost of running the process themselves.

The process is also naturally a lot broader than an FD would usually be able to manage. At any one point in time, we are running a host of processes across subscription line, NAV, and GP financing and so are well plugged into the breadth of liquidity across the fund finance market, from traditional lenders to investment banks, debt funds and institutional players. As a result, we know most lenders well, and this makes the outreach that much more efficient, both in terms of the speed of engagement and the terms provided. Rather than an FD reaching out to three or four additional lenders in order to benchmark terms, we will aim to reach out to 15 to 20 lenders who we know are active and have appetite; something the FD would just not have the bandwidth to do themselves.

Whether a private equity, private debt, real estate or infrastructure fund, it is always the borrower that is our client. We recognise that the relationship between borrower and lender is central in fund finance. This is a relatively small market and so, coming from lender backgrounds, we’re keen to make sure that the lenders do not feel disintermediated as a result of an advisor being part of the process. Indeed, the importance of lender relationships is consistently at the top of our clients’ lists of financing priorities, which

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is why we ensure that there is still close communication, albeit as part of a more structured and efficiently executed process.

**• How important is soft knowledge to these relationships, versus hard knowledge about the products and processes?**

• I think that's really important. Familiarity with what's going on in the market and having good working relationships with lenders are both things we work really hard on, but I think central is understanding lender track record. It's ultimately all about delivery.

One of the reasons why I think Deloitte is a fantastic platform and is differentiated from our competitors is around the scale that we have. Through that scale comes visibility of a larger number and broader range of transactions, which creates a virtuous cycle. The more transactions you execute, the more insights you have; the more insights you have, the more clients want to work with you and the more mandates you win, and so on.

**• What has your approach been with lenders, in terms of keeping them fully on board with the service you provide?**

• When we are looking at relationships, we're obviously primarily focusing on clients as the driver of our business, but we also very much focus on lender relationships. A respect of the lender-borrower relationship is at the heart of this.

In terms of how to foster that lender relationship, we run a transparent process and make sure that we are up front and timely with lenders. If it does get to a certain point and we are moving forward without certain lenders because, for example, we're moving to a shortlist, we will make sure we are responding in a timely fashion so that they aren't expending energy on the transaction unnecessarily, giving them a clear explanation as to why.

In terms of broader relationships, we also shouldn't lose sight of lawyers, who play a very important part in this market and are a valued source of introductions.

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**• What have your experiences been in recruitment and team-building?**

• Recruitment always takes longer than anticipated, but the support we've had to front-load our recruitment has meant we've been able to keep ahead of the demand we are seeing in the market.

Work life balance is something we also value highly as a team and work hard to protect, ensuring we don't "rubber band" back to the pre-COVID ways of working and lose some of the fantastic working benefits that have come as a result. I see huge benefits, as a slightly older parent, of time with my family that I didn't have ten years ago and we're really keen to preserve that flexibility.

I also endeavour to make sure that we have diversity at our core as a team, given my own experiences and values, recognising that a team that more closely reflects society, whichever lens you use, will make more informed decisions.

This is all about building the business. The people that we are recruiting are very much buying into the fact we are building a business and as such have a hand in all sorts of broader aspects alongside deal execution, such as strategic direction and recruitment. They are part of something quite exciting and as well as delivering for our clients and winning mandates, we decide how to grow this business together. Having a hand on the steering wheel, I think, is a distinct aspect to being part of this team.

**• What have been the most important developments in the fund finance market since you joined Deloitte?**

• Looking back, I think one of the key features of the market has been innovation, which has really stepped up in the last three years. I'd love to say that's down to advisors, but I think it is down predominantly to the influx of liquidity that we have seen on NAV. With the advent of NAV lending, debt fund liquidity has turned its attention to the fund finance space. What that has brought, not just through NAV but through broader products as well, has been an increased pace of innovation and a wider range of solutions being applied today.

Volatility has been the other change. I think we all got lulled into a false sense of security off the back of the benign markets we have seen for the past decade, with few anticipating the volatility to come and speed of market evolution. Be it the war in Ukraine, macroeconomic pressures as 2022 progressed and their impact on lenders, or more recently the series of bank failures, one of the most unexpected things all round was the speed of that change. I don't think anyone was predicting reference rates up at 5%, war in Europe, or runs on banks again. We had thought those days were in the past, but we've been shown how quickly the backdrop can change.

Against all this, the outlook for clients is different too. A year ago, our client could pick and choose which lenders they wanted to use for a subscription line process. Now, however, the pendulum has swung in favour of the lenders, and we're running processes where the lenders are a lot more selective. The product itself has also changed. Now instead of a margin of 150 basis points, we're looking at something starting with a two on a much higher reference rate. Suddenly the all-in price of the product has gone from 2% to a multiple of that, especially in the US market. The value-add of advisory has always been relevant, but in the current market this value-add is even more stark. We know which lenders are active and closing and we can help our clients navigate that.