



Jensen Partners Newsletter

Credit Bonanza as M&A Deals Heat Up

The excitement over private credit has reached a fever pitch in recent weeks on the back of several seismic M&A deals that offer a powerful signal of where the future of alternative investing may be heading.

These deals have been a non-stop topic of conversation across the industry- at events like SuperReturn International, iConnections and Milken. The consensus seems to be that even more consolidation is on the way as large asset management firms each pursue a piece of the increasingly in-demand private credit pie.

Let's quickly review how we got here in the first place:

- March 9, 2022: First, [Carlyle Group acquired CBAM Partners' portfolio of assets](#), making Carlyle Global Credit the world's largest CLO manager and increasing the firm's credit AUM from \$73 billion to \$88 billion. Then later on the same day, [Oaktree acquired a majority stake in 17Capital](#), which specializes in providing strategic financing for investors in private equity.
- March 30, 2022: [First Eagle Investments acquired Napier Park Global Capital](#), thereby expanding its alternative credit capabilities with an additional \$18.7 billion in credit assets.
- May 31, 2022: [Franklin Templeton acquired Alcentra](#), a credit specialist with \$38 billion in assets under management.
- October 23, 2022: [KKR and the Mudabala Investment Company entered into a strategic partnership](#) to deploy at least \$1 billion in private credit opportunities in the Asia-Pacific region.
- October 26, 2022: [General Atlantic acquired Iron Park Capital](#), a specialist in public and private credit markets, and announced the formation of General Atlantic Credit.
- October 27, 2022: [Nuveen acquired Arcmont Asset Management](#), a leading European private debt manager.
- November 15, 2022: [Apollo acquired a significant part of Credit Suisse's portfolio assets](#) held by its Securitized Products Group (SPG).
- March 20, 2023: [AlbaCore Capital Group formed a strategic partnership with First Sentier Investors](#) to meet the growing needs of institutional investors in alternative credit.
- May 2, 2023: [PGIM acquired a majority interest in Deerpath Capital Management](#) a U.S. private credit and direct lending manager with more than \$5 billion in assets under management.

We noted with interest the following two deals:

On May 15, [TPG announced it was acquiring Angelo Gordon](#) in a deal valued at \$2.7 billion, bringing the combined AUM of the merged entity to \$208 billion as of December 31, 2022, including Angelo Gordon's \$54 billion credit platform and \$18 billion real estate platform. The deal gives TPG an additional foothold in private credit and real estate investing, two of the fastest-growing asset classes across the alts space. Then a week later on May 22, news broke that [Softbank was looking to deploy as much as \\$1 billion via SoftBank Investment Advisors](#) in a direct lending strategy aimed at technology firms. In a parallel move, [Softbank sold its 90% equity stake in Fortress Investment Group for \\$3 billion to Fortress management and Mudabala Capital](#), an arm of Abu Dhabi's sovereign wealth fund. Fortress manages around \$42 billion in credit-based assets.

The common thread across each of these deals is a recognition of the growing interest in private credit strategies, especially in reaction to recent market headwinds.

As Pete Briger, co-founder of Fortress Investment Group, put it in a conversation with the [Financial Times](#): *"The amount of credit that is in the world right now is going down every day... making it harder for companies to borrow."*

Jon Winkelried, CEO of TPG, had similar things to say things to say to a [Bloomberg](#) reporter about current market conditions: *"There's a whole range of things regional banks have historically done... private sources of credit will be stepping into that breach in a number of different ways."*

The fundraising figures back up what Briger, Winkelried, and many other investment professionals are saying about this historic shift in the private credit landscape. By our count, we've recorded at least 25

new funds of at least \$1 billion since mid-2021 across a range of credit strategies, including direct lending, opportunistic credit, mezzanine debt, and fund finance. This includes some massive new funds, such as a [\\$17 billion opportunistic credit fund raised by HPS Investment Partners](#), a [\\$15.2 billion mezzanine debt fund closed by Goldman Sachs Asset Management](#), an [\\$8 billion private credit solutions fund closed by Crescent Capital Group](#), a [\\$4.8 billion direct lending fund closed by Monroe Capital](#) and a [\\$4.6 opportunistic credit fund raised by Carlyle](#). There are several more similarly-size funds still in the market from the likes of Blackstone, Oaktree Capital Management, and Intermediate Capital Group.

What is driving all this consolidation and deal-making? And what comes next?

Two themes continue to come up in conversations with clients and partners across the alternative investment industry — opportunity and competition.

On the opportunity front, the combination of a rising rate environment and fears about a prolonged recession have created a difficult deal-making environment for those firms with equity-focused strategies, whether private equity, venture capital or even some hedge funds. Part of this has to do with the denominator effect (which we wrote about in our [recent newsletter on the secondaries market](#)) that has led to many LPs decreasing their allocations to certain private market strategies.

At the same time, the recent banking crisis in the U.S. has led to a consolidation of banking players and a tightening of the credit markets, reducing the amount of capital available to both household and corporate borrowers. This may be bad news for traditional banks – which rely on lending to beef up their balance sheets – but it is good news for alternative lenders unconstrained by regulatory requirements around the use of financial leverage to boost returns. These alternative lenders – including TPG, Fortress, Apollo, Blackstone, Carlyle, EQT, KKR, PGIM and others – are now poised to become even bigger players in the private credit markets, which have ballooned to \$1.5 trillion in global assets.

On the competition front, it's become increasingly clear that the firms best positioned to take advantage of the disruptions in the credit space are those with the most resources, both in terms of AUM across different strategies as well as geographical reach across different markets. This means we are likely to see even more M&A deals as the biggest alternative asset management firms continue to scoop up specialist credit players to round out their fund offerings and appeal to LPs searching for yield.

At Jensen Partners, we've been working closely with asset managers of all sizes to identify technical credit experts as more firms look to build out their teams. Anecdotally, we've recently noticed a growing trend of smaller credit firms implementing a "hiring freeze," which is usually a sign of an imminent deal with a larger firm. These M&A deals can take six months or more to announce, so it wouldn't be a surprise to see another surge in deals in the coming weeks and months.

We are witnessing unprecedented demand for credit BD professionals, particularly among the largest firms. These specialist roles are now the most sought-after search in the market, with mark-ups for compensation commanding a premium compared to similar roles in other sectors. In 2022 alone, we tracked 518 marketing hires in the credit space, more than double the 227 moves in 2021. We anticipate that 2023 will effortlessly surpass both of these figures, with 151 credit moves already recorded for Q1.

Likewise, we're seeing fundraising figures for credit strategies continue to tick upwards while fundraising for other strategies has dipped in recent months given macroeconomic headwinds (as we wrote about in our [Q1 2023 newsletter](#)).

As we've heard at SuperReturn, Milken, PEI, and other industry conferences, 2023 could be the year that private credit eclipses private equity in several key statistics — specifically, fundraising and hiring — thereby cementing the status of this rapidly growing asset class as a key revenue driver for the biggest investment firms. We will share additional updates on the growth of the credit markets in future newsletters. In the meantime, please feel free to reach out to the Jensen Partners team to discuss your recruitment needs and learn more about what's happening across the industry.

Sincerely,
Sasha Jensen

Sasha Jensen



credit space:

Bloomberg: [Apollo, HPS Pile Into Record \\$5.5 Billion Private Credit Deal](#)

Bloomberg: [TPG Said In Talks to Acquire Investment Firm Angelo Gordon](#)

Chief Investment Officer: [Storm-Tossed BlackRock Still Eyes Acquisitions](#)

Financial Times: [SoftBank nears deal to sell Fortress to Mubadala for up to \\$3bn](#)

Financial Times: [US firm Nuveen buying one of Europe's largest private lenders for over \\$1bn](#)

Finsmes: [Apex Group Closes Acquisition of MJ Hudson Businesses Units](#)

FundFire: [Alts Manager Deals Jump Despite Steep Drop in Global M&A](#)

Institutional Investor: [What MetLife Investment Management Wants With a Small Alts Firm](#)

Investment Week: [PGIM boosts \\$237bn alternatives platform with acquisition of private credit firm](#)

Pensions & Investments: [TPG regains credit capability with Angelo Gordon acquisition](#)

Pensions & Investments: [MetLife Investment Management feathers private credit nest with Raven acquisition](#)

Pitchbook: [MetLife private debt deal joins race to serve yield-hungry clients](#)

Private Debt Investor: [Private credit offers alternative as banking pressure rises](#)

Reuters: [Australia's MA Financial buys US credit asset manager, eyes global expansion](#)

Reuters: [Abu Dhabi's Mubadala to buy majority stake in Fortress Investment from SoftBank](#)

Reuters: [Qatar Investment Authority sees opportunities in public and private credit](#)

The Wall Street Journal: [Private Equity Heads Toward Consolidation](#)

The Wall Street Journal: [TPG Looks to Expand Credit Reach With Angelo Gordon Acquisition](#)

Market Moves

SENIOR INVESTMENT MOVES

Peter Chang joined [L Catterton](#) in April 2023 as Managing Partner & Co-Head of Private Credit. Previously, he was at [Oaktree Capital Management](#) as Co-Portfolio Manager, Managing Director & SBIC Principal, Direct Lending Group. He is based in New York.

Carras Holmstead joined [Palistar Capital](#) as Managing Director, Head of Credit Opportunities. Previously, he was at [Melody Capital Partners](#) as a Portfolio Manager. He is based in New York.

Lori Pomerantz joined [Partners Group](#) in May 2023 as Managing Director, Global Head of Business Development and Asset Class Experts, Private Debt. Previously, she was at [Goldman Sachs Asset Management](#) as Managing Director, Portfolio Manager, High Yield & Bank Loans. She is based in New York.

Armando Acosta joined [The Riverside Company](#) in May 2023 as Managing Director, Fundraising and Investor Relations. Previously, he was at [Aksi](#) as Managing Director, Portfolio Advisory. He is based in New York.

Leanne Schmitt joined [Star Mountain Capital](#) in March 2023 as Managing Director, Investor Relations after 19 years at [Intech Investment Management](#) where she was Managing Director, Portfolio Management Group. She is based in West Palm Beach.

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