INTRODUCTION

Golub gobbles four titles in biggest awards yet

SSG Capital Management, Citi and Pemberton were also among the notable winners as we boasted more votes in more categories than ever before. **Andy Thomson** reports

Our 2016 annual awards – the fourth we have undertaken – reflect both the widening reach of private debt and growing interest in it. The former characteristic is reflected in the addition of four new categories, raising our total number of awards on offer to 43. The latter characteristic is confirmed by the sheer number of votes recorded: up from around 3,000 12 months ago to more than 4,000 this time.

This year, we introduced a new stage to the process as we invited firms to fill out forms reminding us what they considered their highlights of 2016. This was widely taken up and proved highly informative, allowing these reminders to inform our thoughts as we went about the challenging (though also stimulating) process of drawing up shortlists.

We then commenced a period of voting through December into early January, with our readers able to make selections in as few or as many categories as they liked. One important proviso was that no one was allowed to vote for their own firm. The voting was carefully policed to ensure our awards retained their reputation for being independent, with all of our winners riding to victory on the back of votes cast by their peers.

Our outcomes confirmed the high regard in which Golub Capital and SSG Capital Management continue to be held. In the 2015 version, SSG led the way with wins in four categories and Golub taking the crown in three. In 2016 the roles were reversed with Golub taking four categories in the Americas section (lender, senior lender, BDC manager and CLO manager) and SSG winning three in Asia-Pacific (lender, distressed debt investor and fundraising).

Citi also takes three awards, two of them in our placement agent categories (Americas and Europe) and one in the fund financier category in Asia-Pacific.

One notable new feature of the 2016 awards was the addition of five new categories within the global section. Special mention should go to Pemberton, which has gone from winning our global newcomer award in 2015 to global fund manager of the year within the space of 12 months. This was a commendable achievement for a Europe-based manager, given the dominance of large, US-headquartered firms within the asset class.

Congratulations also to LCM Partners, Macquarie, Oaktree Capital Management, Partners Group, Spire Partners and TPG which all recorded victories in more than one category.

On the following pages you will find summaries of the outcomes in all 43 categories and our reflections on why the voting went the way it did. On p. 52, you will find a list of all of 2016's winners.

Finally, a big thank you to all those who took the time to participate. We look forward to working with you to make our 2017 awards even bigger and better. ■

PRIVATE DEBT INVESTOR AWARDS 2016

THE AMERICAS

Lender of the year
1. Golub Capital
2. Ares Capital Corporation
3. GSO Capital Partners


David Golub: win-win partnerships

What's better than winning lender of the year? Winning it two years in a row, like Golub Capital. As in 2015, the mid-market lender had a successful 12 months across its fundraising and origination efforts.

Golub originated $8.8 billion in new loans in 2016, with roles in the standout Pet Valu and historic Qlik debt transactions. The firm also originated a number of similarly sizable loans in the $150 million-$300 million range, a size that used to be done only through syndications and not buy-and-hold players.

Golub imputes another strong year to its consistency and "win-win partnerships", repeatedly working with the same sponsors, lenders and investors. Over 90 percent of the firm's deals in 2016 were with repeat sponsor clients and about half were with companies in which Golub was the incumbent lender.

"We view these awards as a testament to our shared success model," says David Golub, chief executive. "The success we have had with these awards is a reflection of how well that system has been working and how powerful our focus on win-win partnerships can be."

Senior lender of the year
1. Golub Capital
2. Ares Capital Corporation
3. Guggenheim Partners

David Golub says the private debt market shifted from lender-friendly to borrower-friendly over the course of last year. That is to say, leverage went up, spreads went down and terms became more borrower-friendly due to a combination of lower M&A activity and shrinking supply, because of new funds coming into the mid-market.

But Golub still had a great year from the standpoint of funds raised, particularly its senior vehicles. New commitments from investors were over 50 percent higher than the prior year, which was itself a record.

The firm held three closes on its 10th fund focused on senior debt across North America. By final close this January, that fund had culled $1.76 billion in commitments, marking Golub's largest fund yet. The predecessor, GCP 9, closed on $970 million in July 2015. Last year, more than 25 percent of the firm's overall deal volume was in add-ons and the firm expects to repeat that amount in 2017.

But Golub predicts choppier waters for credit lenders in the mid-market this year, stemming from the continuation of credit inflation that started in 2016. "So far in 2017, this story continues," he says.

Junior lender of the year
1. Crescent Capital
2. GSO Capital Partners
3. Carlyle Group

Crescent Capital's mezzanine funds invested approximately $1 billion last year, including 20 investments split between new and add-on deals. The Los Angeles-based firm closed its seventh and largest mezzanine fund, raising $4.6 billion in commitments, surpassing the initial $3 billion target. That was $1.2 billion more than the previous vehicle.


Chris Wright: mezzanine offers a lot of flexibility

"We have a regular, but very selective, dealflow," says Jean-Marc Chapus, co-founder and managing partner at Crescent. "The firm's DNA is credit, and our first goal is to protect capital."

He adds that the annualised default rate for the private credit businesses over the last 25 years is less than 1 percent.

By the end of December, the firm had $25 billion in assets under management, with $11 billion invested across its private credit platform.

Chris Wright, managing director at Crescent, says the firm expects to see similar volume in 2017, but adds it's hard to predict how the market will shape out this year.

"At the beginning of February, broadly speaking the credit markets are extremely tight," says Wright. "But mezzanine offers a lot of flexibility to sponsors and issuers, especially when it comes from funds like ours that are 'buy-and-hold' investors."

Lower mid-market lender of the year
1. Monroe Capital
2. NXT Capital
3. Twin Brook Capital Partners

Monroe Capital saw increased demand last year for its "low volatility, non-core related products", while continuing to grow its

Ted Koenig: there will always be alpha

market share of the mid-market, says Ted Koenig, president and chief executive.

Koenig says the lower mid-market is harder for asset managers because it demands many more man-hours. "This requirement is hard for new managers, and even existing managers, to staff up, originate, and underwrite credit transactions. However, there will always be alpha in that market for good asset managers."

Monroe closed its second credit fund, Private Credit Fund II, on the hard-cap of $800 million, with lending capacity up to $1.3 billion, last year. The firm targets companies in the $3 million-$30 million EBITDA range.

The Chicago-based firm also grew its Americas originations team with the hires of Steve Hinrichs, Marc Adelson, Mark Sturrock and Marc Price. Sturrock will lead Monroe's newly opened office in Toronto.

Monroe closed 64 direct loan transactions, involving $1.4 billion in investment funding, in 2016. The firm ended last year with $4 billion of assets under management.

BDC of the year
1. Golub Capital
2. Ares Capital Corporation
3. Owl Rock Capital Partners

As mentioned above, David Golub says his company has consistency, and that is what earned the awards this year (and last). Sure enough, Golub Capital BDC consistently out-earned its dividend each quarter last year, while growing net asset value per share and paying out 32 cents per quarter, with relatively low volatility.

The company's NAV was $15.74 per share at 31 December, only slightly down from $15.96 at 30 September. The firm's net investment income was $16.9 million or $0.31 a share for the last quarter, slightly up from 31 December 2015, when the firm's net investment income was $15 million.

The BDC did a total of $599.8 million in new mid-market originations over 2016. Golub BDC is going to continue to focus on one-stop loans in 2017.

Looking ahead, Golub doesn't expect the new US government to loosen bank regulations enough to pressure mid-market lenders this year. And he won't worry even if they do.

"If I am wrong, I don't anticipate that the impact on Golub Capital would be terribly significant," he says. "If we see some banks come back, we believe this will have a bigger impact on non-bank syndicators."

Distressed debt investor of the year
1. Oaktree Capital Management
2. KKR
3. Cerberus Capital Management

Jay Wintrob: patient approach

Oaktree, the Los Angeles-based asset manager, grew its assets under management by 3 percent year-on-year to $100.5 billion as of 31 December. The firm raised $11.6 billion in capital in 2016, making it the 10th consecutive year in which the company has raised $10 billion or more.

Last year also saw the departure of Oaktree's chief financial officer David Kirchheimer, who said farewell on the third-quarter earnings call, saying he was proud "to have led an employee team that is second to none".

Jay Wintrob, chief executive, said on the firm's fourth-quarter earnings call that the company has a patient and disciplined investment approach in the distressed market, allowing it to profit even in rising markets.

Oaktree is well positioned for investment opportunities "triggered by a general market downturn or idiosyncratic developments" this year, he added.

The firm has over 60 percent of its assets under management in long-term investment vehicles and ended last year with $20.8 billion of dry powder.

CLO manager of the year
1. Golub Capital
2. GSO Capital Partners
3. CVC Credit Partners

Golub Capital issued $1.6 billion in CLOs from 1 January through 21 November last year, bringing its total CLO issuance to $12.1 billion since 2005.

Last October, the firm redeemed its first broadly syndicated loan CLO, Golub Capital Management 2007-1, which Creditflux listed in its top 10 CLO list. The deal returned an average of 30 percent on an annualised basis since inception and made 11 distributions greater than 40 percent.

"Many CLO managers struggle to satisfy the interests of different tranche holders within the CLO," says David Golub, chief executive. "But we've succeeded in solving that puzzle with low credit losses and reliable, consistent performance."

A significant amount of capital flowed into broadly syndicated loan and other mid-market lending vehicles, which made the