



intertrust
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FastTrack

to diversifying into
distressed debt



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Distressed debt is a complex asset class, whether considered syndicated or private, but it's forecast to be an area of growth and opportunity. Covid-19 has created an increasingly challenging environment, resulting in significant stress within the public and private loan markets. This is, however, creating secondary market opportunities for distressed assets globally, meaning that fund managers need to be well prepared and choosing the right partnerships will be critical.

Intertrust Group's global presence and diverse services make us the perfect transformational partner. Read on to find out how we can accelerate the possible and help you to take advantage of the opportunities that distressed debt funds are presenting to the market.



“Distressed funds specialising in debt, turnarounds and special situations are likely to be the biggest near-term beneficiaries as falling valuations present highly attractive buying opportunities for GPs with large amounts of capital to deploy”

Why the distressed debt market?

The Covid-19 pandemic has caused economic disruption on an unprecedented scale and many large and established private debt managers are seeking significant capital in anticipation of potential defaults. According to Preqin data, the total amount of dry powder in the distressed private capital space sat at an all-time record of \$131bn in June 2020¹.

As the global economy gears up to reboot, distressed debt and structured credit have become two of the hottest topics in credit, with many private capital fund managers planning to diversify into direct lending strategies over the next year. In a recent survey conducted by Intertrust², 92% of respondents predicted there'll be an increase in distressed fund transactions over the next 12 months.

Whilst most private fund strategies expect the fundraising climate to worsen, investor sentiment is focusing on the experienced managers in distressed strategies with 83% of respondents believing the fundraising climate for distressed funds will improve over the next 12 months.

Preqin's Q2 Private Debt Quarterly Update³ stated that a total of \$34bn was raised from 49 private debt funds closed, compared to just 36 funds securing \$22bn in Q1. This trend is looking unlikely to fall any time soon as a growing number of funds continue to come to market with a record high of 486 funds on the road, seeking \$239bn in aggregate capital.

Timing capital deployment is crucial to distressed opportunities, meaning there's a risk involved if investment is made too early or too late, but this secondary market can offer tremendous opportunities for those brave enough to enter the market in the coming 12 months.

1. Preqin Factsheet: 'Distressed Private Capital Dry Powder Reaches A Record High', 2 July 2020.

2. Intertrust Global Private Equity Outlook 2020 Report. Released: 8 June 2020. 143 Private Equity Managers Responded Across Europe, The Americas And Asia.

3. Preqin Quarterly Update: 'Private Debt Q2 2020', 8 July 2020.

How we can help you

Tailored for your specific requirements, we offer customised, bespoke solutions across virtually every need that a GP, LP, fund or portfolio company may have. Whatever you want to achieve, the chances are we've done it before.

Loan administration and loan agency

We can take care of all your loan administration and agency requirements

Loan operations

We can support you with your loan operations

Fund finance

We can advise you on your fund financing

Loan administration and loan agency

We can take care of your overall administration needs through our fully customised end-to-end service offering, as well as loan agency services. We can support every need a GP, LP, fund or portfolio company may have and we can set up and manage entities at the global SPV level, through to administration and investor services at the fund level. With the rise of debt funds and increasing concerns around bank syndicate member independence, the provision of loan agency services by an independent third party can add real value to a loan transaction.

Loan operations

We're exceptionally well positioned to help you with your approach to loan operations including stability, scalability and efficiency under our advanced technology capabilities.

Fund finance

We can advise you on your fund finance requirements which includes the structuring of fund finance transactions and providing the right fund finance solution that will give you significant competitive advantage when bidding for distressed or forced asset sales.

What activity are we seeing?

Throughout the Covid-19 crisis, we've seen a growing interest in this asset class globally. For example:



The pandemic-led market environment is seeing a reallocation of unfunded commitments into new distressed or non-traditional strategies.



Partnerships between global fund managers to raise funds to provide financing to firms that were healthy prior to the pandemic.



Increasing set up of onshore Qualified Foreign Limited Partnerships (QFLP) for a global asset manager investing into distressed debt and non-performing loan (NPL) opportunities in China.



Increasing demand across our existing client base will apply across a large proportion of distressed debt managers.



Case studies

We're now seeing activity pick up across a range of asset classes as fund managers seek out attractive valuations and distressed opportunities. The following case studies provide examples of how we've accelerated the possible for our clients in the current environment.

Case one

Two global fund managers partner to provide financing to firms that were healthy prior to the pandemic

These two fund managers, one being an existing Intertrust client, formed this joint venture to raise \$5bn to provide financing to firms that were in a good state before Covid-19. This distressed fund will invest primarily in mid-market private debt deals.

The pandemic-related fall in asset values across the globe has provided a unique investment opportunity for distressed vehicles like this. These two managers quickly seized the opportunity to join together and launch the fund.

The solution

- Provided end-to-end shadow accounting services
- Investor allocation and capital verification
- Loan processing and settlements
- Acted as a joint venture private credit fund

Our advantages

- We provide a 24/7 operating model with specialised loan operations and accounting teams who have significant domain expertise.
- Ability to provide bespoke tech-enabled services, consisting of proprietary and leading vendor technology.
- With our end-to-end capabilities and our world-class technology solution, we're able to accommodate investor demand when it comes to greater data, portfolio and risk transparency at entity, portfolio and the fund level.

Case two

Large capital and solutions company focused on sport and music industry, managing around €900mn in loan assets

In May 2020, our existing client contacted us to advise that they'd be winding down their business due to Covid-19. This client is a bespoke financier to the sports and music industry with around €900mn in assets under management, primarily being bilateral loans and loan participation notes.

The client was looking for an experienced and knowledgeable partner to assist with the accounting of 12 companies into a consolidation entity and facility agent services to their existing loan portfolio.

The solution

- Corporate governance, directors and accounting for 14 entities (12 of which being in the UK)
- Loan administration services across a portfolio of 38 loans
- Loan agency (facility agent)
- Facility agent services into the existing loan portfolio
- Cash management services
- ESMA reporting services

Our advantages

- We're supporting this transaction from five of our global jurisdictions: UK, Ireland, Netherlands, Spain and Delaware.
- We have a dedicated team of experts who can provide flexible and tailored services.
- Clear governance, single point of contact and a global offering to suit the clients needs no matter how complex.
- Advanced loan administration software technology

What makes us different?

With distressed-led activity expected to be a signature theme over the coming 12 months, funds will need capable administrators to help them capitalise on the opportunities distressed debt will present and navigate the complexities of their administrative and operational duties.

We've seen many global events and crises over the years and as a leading provider of funds and capital markets solutions, we recognise that many of our services can help you continue operating today and expand towards the future. These services include deal restructuring, security succession trustee, loan administration, escrow, GATS trustee for aviation, liquidation services and fund finance advisory firms with distressed situation capabilities will be well placed to capitalise.

A lot of those managers have the benefit of surviving the global financial crisis and offer in-house expertise. Others will be raising new capital in anticipation of upcoming opportunities.

The record levels of dry powder will help to act as a catalyst in this respect. In the context of Covid-19, some banks are already writing down many of their loan books, which could represent prime assets for private debt GPs to buy.

 4,000 experts in over 30 jurisdictions – we're in 18 global fund services hubs and all major fund domiciliation centres

 Over \$470bn in assets serviced globally

 We service 40 of the top 50 private equity international 300

 We work with over 300 of the banks within the Fortune Global 500

 We service some of the largest distressed asset managers in the world

 We offer the latest loan administration platform technology enabling a high degree of control and visibility

 We offer unrivalled expertise across all private capital asset classes including private debt, private equity, real estate, infrastructure, venture capital and hedge funds

 We provide bespoke and tailored solutions to suit our clients' needs

 We're non-conflicted, nor are we owned by a fund who could be, and we're listed on the Euronext Amsterdam stock exchange

 We service 2200+ credit facilities across 18 clients

 We support bank loan assets under management of \$90 billion

We're active in 18 global fund services hubs



Key funds jurisdictions.

Australia	Guernsey	Netherlands
Bahamas	Hong Kong	Nordics
Belgium	India	Singapore
Cayman Islands	Ireland	Spain
China	Jersey	UK
Germany	Luxembourg	USA



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To find out how we can help fast track your opportunities and accelerate the possible in the distressed debt market, visit our website.

[INTERTRUSTGROUP.COM/FASTTRACK](https://www.intertrustgroup.com/fasttrack)

Regulatory information is detailed on [intertrustgroup.com/legalnotice](https://www.intertrustgroup.com/legalnotice)