

Insight

Strategy Size matters for Arcmont and Churchill

In private debt - more than in any other asset class - the big are getting bigger, **writes Andy Thomson**. As we examine each annual iteration of our PDI 100 ranking, which measures the most successful fundraisers over a rolling five-year period, it becomes clear that an ever-larger proportion of investor dollars are going to a small group of trusted managers.

Last October, London-based pan-European manager Arcmont Asset Management and North America-focused Churchill Asset Management announced that they were joining forces - a process concluded at the beginning of March this year when Nuveen, the parent of Churchill and investment

manager of TIAA, announced it had acquired a controlling interest in Arcmont. The combination of Arcmont and Churchill is branded Nuveen Private Capital and boasts more than \$66.5 billion in combined committed capital.

"The way private credit is developing, size is increasingly important," says Anthony Fobel, chief executive officer of Arcmont, in an exclusive interview with *PDI*. "Scale gives you the flexibility to do both mid-market as well as larger deal sizes and, frankly, there are not a lot of scaled players in Europe that can do this."

Another appeal for Fobel was access to capital. TIAA is the largest allocator to private debt globally, according to our Global Investor

50 ranking, while Nuveen is noted for its distribution. "In North America and other key jurisdictions, Nuveen's distribution capabilities are tremendously helpful, particularly with the wealth channel, which is an increasingly attractive source of capital for some of the larger players."

"The wealth channel is going to be critical going forward, and Nuveen brings tremendous distribution scale and expertise to the table," adds Ken Kencel, president and chief executive officer of Churchill. "We today have three publicly registered vehicles - two private BDCs and a closed-end fund - and Nuveen has been instrumental in helping us to bring those products to market."

The benefit of scale is well appreciated by Churchill. Kencel says TIAA invests in all of the firm's five key strategies - something which he believes gave Arcmont confidence that it was a firm that was committed to alignment of interest. "All the things Anthony was looking for, I could validate that: support, capital, distribution expertise and product expertise."

No capital commitment yet

Fobel says TIAA capital commitments to future Arcmont



“Scale gives you the flexibility to do both mid-market as well as larger deal sizes”

Anthony Fobel, Arcmont Asset Management

2,000+

Investors in total

“The wealth channel is critical... and Nuveen brings tremendous scale”

Ken Kencel, Churchill Asset Management



funds were not baked into the acquisition of the controlling interest, but he is hopeful and suggests that Nuveen will have developed a positive view from having done extensive due diligence on the fund manager. “While Nuveen was in the process of acquiring Arcmont, for conflict reasons, we didn’t have any discussions with TIAA about making any capital commitments to Arcmont funds until the deal was signed and completed,” says Fobel. “But we expect those conversations to gather pace.”

The likelihood that TIAA will back Arcmont with capital is indicated by Churchill’s experience. “The reality is that when we launched Churchill as a TIAA affiliate in 2015, TIAA committed \$300 million for an SMA, and here we are today,” says Kencel. “We manage over \$23 billion for the TIAA general account, and every year TIAA has been increasing that allocation based on performance.”

Another attractive prospect arising from the deal is having a global offering. “Churchill and Arcmont collectively can provide global credit solutions, whether that’s a global credit fund - which is certainly something we’re considering - global SMAs, or the ability to expand

our private equity platform in Europe and broaden our reach with European private equity firms given we both focus largely on sponsored deals,” says Kencel. “We’ve created a one-stop shop for LPs and PE firms in a way we believe no one else has.”

Going global means being better able to support large businesses which, Fobel points out, can sometimes boast hundreds of millions in EBITDA. Previously, Arcmont found it more difficult to support US businesses - it believes this will be much more straightforward following the combination with Churchill.

“As Arcmont we can offer US loans but it’s a very clunky process and

there’s all sorts of regulation around lending into the US,” says Fobel. “We can now do that seamlessly by partnering with Churchill. The ability to offer PE firms global solutions to their global businesses is a huge factor.”

Nuveen Private Capital will sit above Churchill and Arcmont, with members of both firms becoming shareholders. Although the two fund managers will continue to be run by their existing teams, Fobel, Kencel and Bill Huffman - head of Nuveen equities and fixed income - will sit on the board of NPC. The entity is designed to drive synergies between Arcmont and Churchill and the broader Nuveen organisation. ■

\$67bn

Capital

240

Employees

\$17bn

Per annum deployment

600+

Institutional investors