

Best Credit Investor – Europe



LCM Partners is an alternative investment fund manager which specialises in buying credit and unlocking value from its portfolios through active portfolio work-out. By providing access to wholesale credit markets through the purchase of performing, semi-performing and non-performing loans in a fund structure, LCM has now opened up this market to institutional investors. Investing in 2000 portfolios of loans since 1999 and with eight offices across Europe, providing on the ground origination capability, LCM is uniquely placed to offer the institutional marketplace scalability through its Luxembourg domiciled fund range.

LCM Partners has an interesting history in that we began life as a balance sheet investor sixteen years ago. While the investment team has worked together since the early days and we have had third party institutional investors for 10 years, June 2014 saw the launch of our investment strategy in a fund format via LCM Partners' Credit Opportunities Strategy. A year on and we are fundraising for our third close, within the LCM Credit Opportunities Strategy, which will be a commingled fund.

With a sixteen year track record delivering an unleveraged average 14.4% IRR through all market cycles, including the Global Financial Crisis, the Eurozone sovereign debt crisis, and more recently the repercussions felt from China, LCM is proud of the consistency of returns it continues to achieve. This, combined with significant levels of yield, intrinsic to loan repaying portfolios, has created an attractive proposition for pension schemes and other institutional investors looking for capital repayment and yield from their investment portfolios.

The LCM Credit Opportunities Strategy offers numerous ways to unlock potential value from loan portfolios. Firstly, the range of assets LCM can invest in cut across the spectrum of performing, semi-performing to non-performing loans. Secondly, these loan types vary from consumer to SME to larger transactions. Thirdly, we have capability across European geographies. These three components together create a breadth of opportunity that is un-paralleled and more importantly for our investors this ensures we are able to source good transactions in all market conditions. This combined with the depth of our investment professionals' expertise and the quality of static pool data we have built during our sixteen years of investing, provides insight into the underwriting and due diligence process for this asset class that is second to none.

Indeed it is the multi-faceted nature of the underlying investment portfolios that have ensured that there has never been negative performance in an annual vintage cohort since our launch in 1999; a track record few asset managers can claim. Furthermore, our heritage as a balance sheet buyer means that our business was first and foremost built to buy, on-board, and manage these types of portfolio. Not only do we have a wealth of experience in sourcing and pricing these portfolios, we also have a sister company that has been built to manage the underlying loans and direct customer base within these portfolios. Our loan servicing company provides us with a straight look through to individual loans to enable

truly active portfolio management. It also ensures that social governance, which is a cornerstone of the LCM approach, is clearly monitored and adhered to. This is a unique advantage when compared to investment houses which have recently entered this investment space.

Financial technology solutions are extremely important to the success of our portfolios and to the fund's overall performance. Our proprietary in-house application (LDMS) has been built specifically for our needs and is used in every local office and manages the tracking of the underlying portfolios and indeed the underlying customers. This application provides LCM a distinct competitive edge and allows us to invest in a broad range of difficult loan portfolios where value may be harder to unlock. Staying at the forefront of Fin Tech is at the heart of LCM's current and future success and enables us to offer greater upside reward to our investors.

We are very pleased at the success of the LCM Credit Opportunities Strategy both in terms of fundraising to date and more importantly in the delivery of returns to our investors. Our immediate priority is closing our comingled fund offering, which is expected to have its first close in December.

Beyond this, LCM as an entrepreneurial business is always looking for new ways to apply our knowledge to the credit markets. Our investment team typically includes people with investment banking, M&A or accounting experience which gives us a diverse skill base of entrepreneurial individuals who are constantly looking for interesting deals. Indeed, the strength of our sourcing capability has often led to interesting and unusual ventures. For example, we were with Funding Circle at the beginning - providing an outsourced middle and back office. Similarly, we work closely with the European Central Bank and were integral to developing and creating the European DataWarehouse. Our advisory team still work as a special adviser to the ECB on its loan level data initiative.

At LCM we firmly believe that the quality of our people and the continued development of in house expertise will enable us to repeatedly punch above our weight and to develop and lead the credit markets in Europe. We are delighted to have this achievement independently recognised in the 2015 fund awards.