



## **Private Placement closed**

By Stelios Papadopoulos on 14 February 2019

Fintex Capital has completed a structured finance transaction within its UK real estate lending business, Fintex Confluence.

The transaction involved the refinancing of a portfolio of property loans - warehoused by Fintex - with senior financing provided by Europa Capital Debt Investment (ECDI) and junior financing by Fintex, with additional monies invested by Europa and Fintex to finance a further expansion of the programme.

The transaction is one of only a few privately placed tranching deals. Robert Stafler, CEO at Fintex, explains: "It's similar to an RMBS because every portfolio loan is executed and documented in the same way. The significance of the transaction is that it's one of the few privately placed tranching deals and the returns are more attractive compared to comparable public deals."

He continues: "However, the investment is not illiquid because it's not long-term. Nevertheless, given the strong credit integrity of the portfolio, we are very comfortable with the lack of daily liquidity. Investors in public markets pay a large premium for liquidity, but often don't need much of it when they need it most. Consequently, we are willing to surrender this perception of liquidity to capture better risk-adjusted returns."

Brexit has been another driver behind the transaction. Stafler notes: "With so much Brexit uncertainty, it's not easy to do deals in the UK, which is why many investors currently remain on the sidelines. However, if you would like to put capital to good use, residential is safer than commercial property, and granular portfolios are safer than concentrated ones. This is why we opt to continue growing this structured asset-backed residential debt portfolio."

Technology plays a major role in the firm's strategy, since managing a large portfolio requires several legal documents and valuations; the proprietary technology tools ensure that everything is in place. "This creates a culture of lending discipline, which is very important, given our manager role for both the senior and first-loss piece of the deal" says Stafler.

The underlying portfolio consists exclusively of senior loans secured by UK residential properties. These residential assets were independently valued at between approximately £250,000 and £800,000 per property, with an average property value of approximately £500,000.

Overall, Fintex manages US\$150m across its different lending strategies in the UK, US and Continental Europe, which is funded for the most part by institutional capital. In addition to its institutional partnerships, Fintex makes investments as principal and also works closely with a select group of family offices. Prior to the completion of this transaction, Fintex operated a warehouse that allowed for the ramp-up of the portfolio and the tranching that followed. As a result of the fresh capital injection, the firm is in a position to bring more such deals in the future.

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