

Featured Profile: Graham Lees

Full credit



Private credit deals are ripe for the picking in 2023, and Tanarra Credit Partners' Graham Lees is already in harvest mode. Chloe Walker writes.

As founding partner and managing director of Tanarra Credit Partners (TCP), Graham Lees has spent the last 20 years working in a world where the tide of capital has flowed mostly in one direction: into markets.

However, a new era of higher inflation, rates and volatility has roiled public markets, creating opportunities across private markets, particularly private debt.

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The current credit vintage, which sports lower leverage, tighter structures, and wider pricing, is significantly more investor friendly than anything over the past couple of decades. And Lees is making sure he's at the forefront of the action, just as he has since the beginning.

Lees realised his passion for mathematics in high school.

"It was either a math teacher or a career paths adviser that said, 'Well, if you love math, you should become an actuary'," he recalls.

Following the advice of his teacher, Lees took on a Bachelor of Commerce, majoring in actuarial studies at Macquarie University. However, after a brief work experience stint at an insurance company, Lees realised that the actuary path was not for him.

"From then on, I realised I wanted to be in finance, so I added on an applied finance degree which was only an extra year, and then got a graduate job at ANZ in their institutional banking division," he says.

Lees spent close to five years at ANZ, working alongside his boss at the time to set up the leveraged finance team. From there, Lees went to Barclays, and then to Credit Suisse, where he would meet his future business partners at TCP.

"I then went to J.P. Morgan and worked in a similar role running their domestic leveraged finance business," Lees says.

"I enjoyed my time there, but then the opportunity came up to help set up the firm at TCP."

Fast forward to 2023, and the private credit arm of TCP boasts over \$750 million of assets under management and operates across Sydney, Melbourne, Wellington, and Hong Kong.

As managing director of TCP, Lees believes it's important to focus on actions, rather than words.

"I think a good leader is someone who leads by example and whose actions back their words," he explains.

"Throughout my career, there's been numerous times where people say one thing and then do another, which doesn't create a great culture. As well as that, from my own experience, it's important to give people within your team space to grow and learn."

Often that means giving people the space to make mistakes and encouraging a growth mindset, Lees says.

"I think we all learn the most through mistakes, as opposed to when things are travelling well," he says.

Through experience, Lees has also learnt the power of delegation.

"Delegating effectively is important," he says.

"You can't always be across everything is in as much detail as you might want to be in a perfect world. And that's why it's important to hire good people within your team."

"You've got to let them let them do their thing and take a step back."

In the world of private credit, Lees says he is constantly inspired by the business owners he meets every day.

"In the kind of work that we do, we get exposure to people who've built their businesses from the ground up," he says.

"Often they've started completely from scratch themselves and have built out very large and impressive companies, and we see them at the point where potentially private equity comes in to join them in business."

That's what's really impressive, Lees says.

Also impressive, he says, is the nimbleness of TCP.

"I love the fact that the business is small and entrepreneurial, and that it's in our hands to control the shape of the business," he says.

"Within the broader group, I really love that Tanarra has a philanthropic arm offering pro-bono advice to Australian charities and social enterprises... being able to contribute there has been great."

When it comes to work in the pipeline for TCP, Lees is a busy man.

Off the back of TCP Fund I, which has performed to plan since its formation in 2018, TCP is currently in fundraising mode for its second fund, TCP Fund II. It's already received follow on cornerstone investments from the likes of UniSuper.

"Up until recently, our investor base has been institutional or super focused, but with Fund II we have broadened that out into that wholesale, high-net-worth and retail market," Lees says.

"We've partnered with GSFM to help us with that... we've been on the road with them meeting potential investors and received a great response to date."

He says that while the market isn't as busy as it was last year, there's still plenty of activity and opportunities for corporate private credit investment.

"The pendulum has certainly swung our way," he smiles.

"We're a floating rate product, so our investors don't have to worry about trying to forecast cash rates, for example, whether it's going up or down from a valuation perspective. It just flows through to investors.

"We don't take any duration risk in our book, compared to a typical fixed income portfolio."

But it's not always sunshine and rainbows.

He warns: "With economic uncertainty and higher rates, more so than ever you need to be careful as to what you're investing in, in terms of making sure those businesses have defensive characteristics and will be able to withstand any downturn that we might be facing."

TCP isn't looking at necessarily being definitive in saying that the economy's going to go one way or another, he says.

"But as a credit guy, you're always looking at the downside rather than the upside. So, we're looking at managing that and investing in businesses that do have that strong resilience," Lees says.

Aside from private credit deals in Australia and New Zealand, Lees believes developed Asia - like Hong Kong, Singapore, Korea, Japan and Taiwan - is an attractive place to be investing.

"In a global context, there's still strong economic growth in Asia, relative to other parts of the world," he says.

"It does now contribute more than 35% of the global GDP, so it's a big part of the world but it is relatively underserved from a private credit perspective. There's lot of runway in developed Asia in terms of new deal opportunities, and it also provides additional geographic diversification for our portfolio and our investors."

Closer to home, Lees is looking forward to growing the TCP business.

The aspiration is to be a multi-billion-dollar fund, and he says there's a clear path to being able to achieve that.

"It's really just keeping the eyes on the ball and growing the business, making sure that we continue to be disciplined in our investments," Lees says.

"Of course, you need to make sure that you're delivering returns for your investors. As long as we keep doing that, the business should continue to flourish."

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