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Private Market Talks:

Destination Europe with Pemberton’s Co-Founder Symon Drake-Brockman

May 21, 2025

As America turns inwards, investors are turning east, towards Europe. It’s a seismic shift not seen since the end of WWII. In this episode, we talk with Symon Drake-Brockman, co-founder and Managing Partner of Pemberton Asset Management, one of Europe’s largest private credit platforms, about the implications of this shift. Prior to starting Pemberton, Symon navigated critical world events on behalf of major financial institutions, including the impact of Russia seizing Crimea, the Asian financial crisis, the Global Financial Crisis, and COVID. During our conversation, Symon helps to put current events into perspective and offers insights as to why today’s capital allocators are rediscovering Europe.

Peter Antoszyk: Welcome back to Private Market Talks. I’m your host, Peter Antoszyk. Investors have rediscovered Europe. For this reason, I’m excited to have one of the leading voices in European Private Credit, Symon Drake-Brockman. Symon is the co-founder and CEO of Pemberton Asset Management, one of the largest private credit platforms in Europe. He founded Pemberton in 2011 after having worked at RBS from 2001 to 2009. There, he ran its global debt markets business before overseeing its frantic efforts to reduce its U.S. mortgage exposure during the credit crisis. During our conversation today, we explore his path to the founding of Pemberton and what he thinks it will take for credit investors to navigate today’s unprecedented economic and geopolitical environments. We discuss key trends in the European private credit market and where he sees opportunities and risks. Finally, he provides his vision for the future of Pemberton. As with all our episodes, you can get a full transcript of this episode and other helpful information at privatemarkettalks.com. And if you enjoyed this episode, drop us a note. We’d love to hear from you. And now, my conversation with Symon Drake-Brockman of Pemberton Capital Asset Management. Symon, welcome to Private Market Talks.

Symon Drake-Brockman: Thanks, Peter. It’s great to be here.

Peter Antoszyk: To get us started, if you could give our listeners an overview of Pemberton, I think that would be helpful.

Symon Drake-Brockman: As you stated, I spent 25 years running credit businesses for a combination of JP Morgan, ING and then RBS. And I think after the financial crisis in 2010, it became clear to me that the development of private markets inside of Europe was really going to take off as bank regulation was going to reduce the size of European bank balance sheets. So, I stepped out of banking. 2011, established the firm. A group of colleagues that I worked with at RBS came in to join me as we set up the firm. And two years later, Legal and General, the largest insurance company in the UK, became a shareholder in the firm, and we launched the platform looking to take advantage of the transition of assets out of the European banking market into institutional investor hands, primarily pension and insurance funds who had historically been largely equity and fixed income investors inside of Europe, where the U.S. insurance and pension investors had been investing in private markets for a lot longer period of time.

Today we're, as you kindly pointed out, one of the largest deployers of capital into private credit in Europe. We have ten offices covering the European market. We cover about 220 private equity firms who are looking to invest capital across the European marketplace, and we have eight credit strategies inside the firm covering a range of different opportunities in corporate risk across the European marketplace.

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Peter Antoszyk: During that very quick summary of your background, I don't think you did enough justice to some of the work you did prior to Pemberton. You seem to have a habit of popping up during some of the biggest events in the financial world in the past quarter century. Can you give us a little sense of what that involved, and then how that prepared you for Pemberton?

Symon Drake-Brockman: I suppose in one sense I was fortunate enough in my career to work in all three regions and, during that period of time, saw some fairly interesting moments. I was in the United States in the very late ‘80s setting up JP Morgan’s corporate business in ‘89, ’90 and there for the downturn in the U.S. banking system in the early ‘90s and obviously, the resolution trust that came out, which was really the starting point, I think, for alternative lenders in the United States after the S&L crisis. I then was in Asia, as you point out, from ‘95 and saw the Asian crisis, which was a fascinating correction in countries that had pegged themselves to the dollar and then, through the changes in interest rates in the United States in ‘94, et cetera, led to a sharp adjustment and pressure on their currencies and ultimately de-pegging, which created a financial crisis. And that followed on in ‘98 into Russia. And as I was running the emerging markets business for ING at the time, I ended up spending a lot of time in Russia and some of the other countries and as was touched on earlier, restructured Ukraine and some of those countries as they went through the financial crisis of ’98, ‘99, 2000. And then, I suppose, topped it off in 2008, when I had moved back to the United States, was running RBS’s business, and we went through what was probably the most challenging financial crisis in the banking system over that period of time, where the banking system was materially damaged by a combination of exposure to U.S. mortgages and the losses they had to take through that and overextended balance sheets where they had grown their balance sheets to such significant scale that it put a lot of pressure on their capital ratios, which led to the regulatory changes that we’re living with today. So, I suppose the learning of all of that is to be thoughtful about where you go, make sure that when you do it, you do it in a conservative and thoughtful way through that period.

Peter Antoszyk: You’ve seen some of the most seismic shifts in the financial markets over the last quarter century. How does what we’re seeing today fit within your past experience? Or does it fit in at all?

Symon Drake-Brockman: I think the announcements around global tariffs from the United States, et cetera, was a shock to people. But I think if you look at the economic repercussions compared to what happened in 2008 or what I saw in the U.S. in 1990, it's still very moderate in my mind. I think you've seen a sharp correction in U.S. equities, and, obviously, that's followed on to global equities. But that was from a position where the U.S. equity market was trading at an extremely high multiple and many people thought due for a correction. And I think when you have tariffs coming in, it obviously impacts the larger companies, the multinationals that have operations around the world, and that, obviously, therefore creates some uncertainty around financial performance of those companies or earnings of those companies, and therefore you have a double shock. An overextended market with question marks around earnings, and therefore you've seen that correction. And I think the market's adjusting to some of those changes at the moment. We've seen much more stability over the last week, et cetera. Probably slightly overheated markets reacting to what is definitely a significant policy change by the United States in the process.

Peter Antoszyk: Well, certainly, many have observed that it's the end of the age of American exceptionalism. That's the phrase that we've been hearing over and over again. I'm kind of curious as to what your take is in terms of the long-term shift for investors overweighting U.S.

Symon Drake-Brockman: I think time will tell on that one because we have to see what the final outcome of some of the policies that have been discussed out of Washington really turn out to be. But I think what it has done is, particularly if you look at it from a European context point of view, I think there has been adjustment of thinking by European governments who were probably over-reliant on the U.S. in a number of ways, particularly from a defense point of view to now focusing, “Okay, how do we stabilize our own economy, how do we create our own defense industry and invest that capital into growth inside of Europe?” And I think that’s a positive for Europe on the medium term, and I think Europe was perceived to be certainly trading on a much lower multiple than the United States in the equity markets, and I think the credit opportunities in Europe create a lot of diversification out of the U.S. market. So, I think it’s probably taken the spotlight off the U.S. as the only place to go to invest and has transitioned it across to, “Actually, Europe could be quite interesting and we’re underweighting Europe, and we should start thinking about putting more capital into Europe as the banking system continues to right size itself,” which it’s been going through for the last decade.

Peter Antoszyk: How do you think about the events with tariffs as transitory? There is a longer-term trend of a retrenchment into Fortress America. I’m curious from your perspective how you — and of course, didn’t even mention the geopolitical risks in a multipolar world — how does that affect your thinking about risk?

Symon Drake-Brockman: I think you’ve got to look at risk in lots of different ways. I think we all grew up, if I go back to my early days at JP Morgan and on my graduate training program where we were heavily focused on economic growth and what the implications were of recessions, et cetera. I think that is still a part, but if I look at my career so far, there’s only been two real pieces of time where economics has driven the credit in markets, and that was, I would say, the financial crisis in the United States in the early ‘90s when a number of the U.S. banks nearly went bankrupt, and 2008 where a number of the global banks nearly went bankrupt. And to me, those are triggers of banking groups having overextended balance sheets and being significantly hit by the environment, and they lead to contractions of money, and that leads to recessions and sharp declines in growth.

The rest of the time, if I look at it over that 35-year period, it's been heavily skewed by sectors. And we go through economic up and downs, and we have slow growth, slightly negative growth, positive growth. But the real trends and the real changes of what happens in credit is driven by sectors, and, if I can say, product redundancy. In the early 2000s, there were lots of auto parts manufacturers that levered finance/provided capital to because we saw them as growth opportunities in these companies. Today, most of those companies have disappeared because of electrification of cars and digitalization inside those cars, and all the components have been wiped out. You may remember a thing called a Walkman and a well-known company called Sony.

Peter Antoszyk: Sadly I do, to date myself.

Symon Drake-Brockman: Exactly. Today, we have the iPhone and the changes that's created. So to me, if I'm sitting here as a credit investor and I'm looking at the market, the thing that we spend the most time focused on is the life cycle of the product or the product redundancy risk inside of that, and is there a real natural demand? And therefore, if you're looking at a lot of the investment that private equity firms are making, they are all skewed much more, and particularly inside of Europe, to what I would say is the new economy. So, contractual software services, outsourced business services, which are also contractual, healthcare consolidation across the European marketplace. And if I look at those trends, tariffs will have minimal, if any, impact because it's very much dealing with the domestic economy in that process. And that doesn't mean that we can't go into negative growth for a period of time, but it fundamentally means that default rates and losses, in my mind, aren't going to spike significantly, and these are waves that we go through. And it's really making sure that when you're investing in credit, you understand the sectors, you understand the trends and the life cycle of the products.

Peter Antoszyk: What would be some of the trends, in addition to what we just mentioned, that you're keeping an eye on?

Symon Drake-Brockman: Forgetting what's gone on in the last few weeks with tariffs, the world changed because of COVID on supply chain security. And we went through a huge outsourcing, going to low-cost areas of the world to develop products and then bringing them back into the core markets for finalization and delivery of the final output. And we saw through COVID that that created a supply chain risk that people had never really thought about. And we had already started a process of onshoring, again, much more of that supply chain because they couldn't have "just in time" delivery. They needed to make sure that they had absolute control over their supply chain. And I think the discussion around tariffs probably accelerates that a step further again in that space.

But I think, to me, when we're looking at companies, these are things that we have to spend a lot of time looking at to really understand the quality of the components that go into their business, the assurance of supply in that process so they can meet the demand, and making sure that we have a concept of understanding the quality of management inside the businesses, because I often say COVID made management match fit. I think the interest rate adjustment we went through in 2022, the energy shock that we went through and all of that, actually had much less impact than people thought on credit defaults because management had dealt with a fairly unusual crisis in COVID of, "How do I keep my company alive?" and "How do I keep everything moving forward?" And it's been an extraordinary five or six years where we seem to have gone from one major event to another major event all the time. But management's dealt with it, and it's really tested good management teams versus mediocre management teams.

Peter Antoszyk: Interesting. But do you see today's environment differently because of what we're doing than what you've seen in the past? And how does that impact how you're thinking about the companies that you are looking either to invest in or have in your portfolio?

Symon Drake-Brockman: I think clearly everyone has to look at things slightly differently, because we still are waiting to see what the outcome of some of the policies are. So, at the moment, our focus is heavily, and our portfolios are already positioned this way, primarily focused on industry and companies that are servicing the domestic market inside of Europe. And they're not export related or reliant, and what everyone possibly misses inside of Europe. When I went to the United States in 1990 as a young man, I was shocked at the M&A market and what Blackstone was doing and KKR, and these guys who had obviously been in the private equity world for a long period of time, and they were consolidating companies 35 years ago. Europe, that really didn't take off until we got a single currency in '99. And the first decade of that was really large cap consolidation where the CBCs and a number of others became very well-known as they built their private equity businesses.

And over the last 10 years, you've seen that wave much more move into the mid-market space. And mid-market companies in Europe are just much smaller than the equivalent in the United States and are prime for consolidation. So, a 300 million turnover company equivalent in the U.S. is probably three billion. And private equity is coming in and buying that, and then buying its competitor, and then buying its other competitor and building these into much bigger businesses because you've got this large economic block. But because it didn't have a single currency until 25 years ago, you just haven't had what's gone on in the United States, and that's the economic opportunity inside of Europe. And I think now that we've moved away from a very austerity-focused government policy into what looks more as a stimulus economic policy in a number of the big European countries, that will attract a lot of investors because they see an economic growth path, and they see an industry growth path at the same time.

Peter Antoszyk: So, that being the case, have you seen — and certainly in the United States, the M&A market has been muted, to say the least — and I guess my question is, in Europe, are you seeing an acceleration of M&A activity at this point?

Symon Drake-Brockman: It's interesting. I think if you look at the first three months of this year, January was quiet, but we had an extremely busy fourth quarter, and therefore we were waiting to see was that just an overhang of a busy Q4, and everyone was taking a break in January. And as we went into February and then went into March, activity levels went up dramatically. Actually, we signed the most number of NDAs we'd ever signed with private equity firms in March. April is still very busy from our perspective, and I think you can make a certain argument that people are just trying to get deals done and get it locked in and get the capital there.

Peter Antoszyk: Sure.

Symon Drake-Brockman: But I think if you look at the comparison and talking to my U.S. peers, we still have an active market with capital being deployed by private equity because they see the business opportunity. Where in the United States, from what I'm hearing, you've seen a real slowdown in M&A activity to the point that a lot of people are sitting there with dry powder and not quite sure what they're going to do.

Peter Antoszyk: Well, certainly it's a valuation bid-ask spread that people don't know how to, you know — what is it that you're buying? What is the right strike price? Because of the volatility in the market. I'm curious as to whether that's — that doesn't sound like you're having the same issues.

Symon Drake-Brockman: I think to put it in context, we just didn't get to the valuation heights that the equity market did in the United States. And so expectation levels of the sellers were, I think, more in line with norms in that space and the private equity firms see the growth opportunity, and they're willing to pay that expectation level. When you get to 22, 23 times in indices, then everyone's like, "That seems to be quite expensive," and trying to get an alignment between the buyer, and the seller is much more challenging. And then when you throw in uncertainty about earnings, then it becomes even more difficult. So, I think the European market — I was in the United States late last year and everyone was telling me that Europe is slow-growing and boring. It appears to me today that everyone thinks that maybe it's going to grow a bit faster, and it's certainly not as boring as it was six months ago.

Peter Antoszyk: Although I think in today's world, slow and boring might be actually attractive.

Symon Drake-Brockman: That may be true.

Peter Antoszyk: I would think one of the challenges to really accelerating roll ups and the way you've described it — maybe coming to Europe more is the rules and the various jurisdictions. And given that it's the rules of the game in the various countries, perhaps, make it more difficult to consolidate across an industry. Are you finding that? Or is that less so the case than it has been in the past?

Symon Drake-Brockman: I think you've got to put it into buckets, if I can call it that. I think in certain industries, the regulatory environment you have to operate under is quite different. So, healthcare in certain countries is regulated and particularly selling products, they have to be formally done through pharmacies, et cetera, rather than just over the counter in other stores and things like that. So yes, there's a certain difference that needs to be looked at, et cetera. But if you look at the fundamental services that you're providing in there, whether that's age healthcare, whether it's IVF healthcare, whether it's other forms of healthcare, it's relatively, today, standardized across Europe in that space. On the other side, if you look at the perception, where a lot of people were concerned was, "What happens if it doesn't go well, and what are the bankruptcy regulations in these different countries?"

And certainly, if I wind the clock back 20 years ago, there was a huge difference between all the different countries inside of Europe and the UK was the kind of benchmark, and a lot of deals were documented under UK law because it gave you more lender protection in that space. 2008 and ’10, really, was the catalyst for a lot of change inside of Europe. And if you look at some of the jurisdictions which were perceived to be quite challenging, for example, in Spain where very minority holders of the debt could disrupt a complete restructuring, that was all cleared out by the Spanish Government. It’s been tested a number of times now, and the restructuring capabilities in Spain now are very similar to the UK. If you looked at Italy, you could get bilateral, and you could get legal ownership on it. The hard part was getting enforcement through the courts, which is why a lot of deals were documented through the UK. But Renzi, when he was Prime Minister there, fundamentally changed the bankruptcy court system to make it much faster so enforceability could be done. And that led to a number of the major NPL players in the United States coming into Italy and actually, for having quite an active period of time, cleaning up both consumer and corporate non-performing loans and buying them and working them out, and I think once again proved that the system works effectively in that space.

So, the European Union has, both in country and at the center, really done quite a lot of work because there’s a thing called the capital markets regime which was designed to bring more harmony into restructurings, et cetera. And I think today there’s still some nuances between each of the countries, but I think for experienced players like ourselves, it is relatively straightforward. People understand now that they can get real control of the assets and that they can do it on a timely basis. And I think that’s really led to a stimulation of lenders like ourselves coming into the market and building large platforms where we can be a provider of key capital into the growth of those businesses across the whole of Europe.

Peter Antoszyk: You mentioned that European governments are shifting to a more fiscally stimulative environment, as opposed to the U.S., which is retrenching in that regard. And with capital flows flowing out of the U.S. and into Europe, it’s almost like there’s a capital tsunami coming into Europe. And I guess my question for you is, is there enough human capital in the asset managers to manage and deploy the capital that’s coming into Europe?

Symon Drake-Brockman: I'd be cautious in calling it a tsunami at this point in time. I think there's a rebalancing in that space. I suppose my business development team would be delighted if it was a tsunami, but we haven't quite got there yet, but—

Peter Antoszyk: —give it a couple of months.

Symon Drake-Brockman: But there's clearly, I think you've seen by institutional investors all around the world, that what's the development of the industry over the last 10 years and how it's managed the COVID, energy, interest rate movement, et cetera, in the last three or four years has given people a lot of confidence that the European market has been tested, and it's come through it well in that space. And there's a group of us who have now got very established platforms. We have 200 people in Europe, we have ten offices. We have large teams for analyzing the businesses that we're working at — we're looking at, I should say. We're set up sectorally, so we have deep understanding of the sectors that we're interested in investing in. So I think the resourcing point of view is definitely that I think a number of us are well positioned and have the capability to do it.

I do think it's a key point if you're selecting someone in the market to manage your capital. I think credit is an intensive business. Not only do you have to do a huge amount of work up front to make sure you're hopefully picking the right deal to lend to, but the monitoring through the life cycle is critical because one thing we've learned in this business is early intervention really has a very positive effect on the outcome. And we've set ourselves up. We have 22 analysts sitting inside the firm today, set up sectorally. So, not only do they look at stuff coming in on their sector, but the deals that we've invested in those sectors, they continue to monitor with the origination team and portfolio management on a monthly basis. And that needs a lot of people and needs a lot of resource, and we continue to hire actively in the marketplace. There's a large number of experienced people in the banking industry who have decided that they'd like to transition into the asset management industry, and so that's been a good pool of talent for us. And there's a lot of European banks, so there's quite a big pool of talents to look at. So, I'm not concerned around the ability.

I think to attract people and to continue to grow the platforms into being double the size they are today, et cetera. I just think that when people look at this, this is not a CLO business. This is not a high-yield business where you can have a portfolio manager and a couple of analysts, then if you change your mind you can get out, hopefully, by going and selling to the street. You are with this company, potentially, for seven years. You need to understand the sector extremely well. You need to understand the management team. You need to understand the product life cycle, and you need to be monitoring on a monthly basis, and that means significant resource. And if you do that, the asset class has proven over decades to be very, very attractive returns and, I think, a significant premium over public markets. And that's, to me, the key in the process.

I think going back to the volume of capital, Europe today still has a spread premium of somewhere between 50 and 125 basis points above U.S. margins. It has an upfront fee, which is probably double what you get in the United States. We still can negotiate at minimum of a leverage covenant, we have much more control in the documentation around the baskets, et cetera. And I think those extra yield and protection inside the loan agreements is not given up by private equity lightly unless there is more demand than there is supply of capital. And I think the U.S. has a huge number of managers today, and that competition at times doesn't mean that the best documentation ends up winning in that space. And I think Europe, because of its geographical nature, because of its complexities of languages, et cetera, means that if you've got the footprint, you're on the ground, and you can be highly efficient in responding to the private equity firm, you can extract more value, both yield and protections, and that's what we've focused on over the last 10 years.

Peter Antoszyk: I think that those two points you just made are really important. The yield differential, as well as the strength of the documentation. We've had a number of folks on this podcast that we've talked about the different strengths in the documentation and the importance of some of those protections that you just described.

Symon Drake-Brockman: Yeah. No, it does, and I think the greatest challenge in credit is, do you have an ability to intervene and get the parties to the table? And if you can, then usually common sense will prevail and you will be able to come out with an outcome. And we've seen private equity be very supportive through COVID and in the recent years, but they started with a much bigger equity check in the beginning than we did back in 2006, '07. And we started with much better documentation than we did back in 2006, '07, when I was doing large cap levered lending inside of Europe.

Peter Antoszyk: How is Pemberton positioning itself to take advantage of these opportunities, in terms of either sector focus and/or product focus?

Symon Drake-Brockman: I think we've always had a strong view that we see ourselves as a platform that provides investors access to some of the products that banks thought were the most attractive in the European marketplace. And we started with the direct lending business where we've built a big franchise in providing loans to private equity firms in that space. We then set up what we call our strategic capital fund, but we want to be a solution provider for more complex deals or provide mezzanine and equity. So, we want to be filling in the last piece of the capital structure where we can extract value.

Most recently, we expanded out of that into what we call our Working Capital Solutions Business, where we've been looking at the very short-end financing, working capital for corporates, et cetera. And we announced last December a partnership with Santander, working with them in providing financing to critical inventory to multinationals and other companies around the world and we think that's a very interesting asset class. It's one that the major banks, the HSBCs, the Citis, the B of A, have put 10s and 10s of billions into over the last few decades. My book at RBS was about 50 billion, and we've seen a big pickup of demand which is short-dated, fixed-income type returns, because we provide monthly and quarterly liquidity in that product. More recently, we also announced a partnership with Addio, which we're doing around the NAV finance area where we have two funds, one looking at providing GP financing. So, it's an alternative to GP state. GP wants growth capital to develop their business, et cetera. We provide capital into them in that space, and they can keep 100% of the equity ownership, but we are financing in that space where we have a lot of collateral and control over the business, or we provide financing at the fund level, which is primarily focused on post-investment period financing where the fund needs to do one or two more add-ons to really crystallize the value in the business or in the portfolio that they've got. And then we have our SRT business, which is red cap business, we have our CLO business in that space. So, across those four different verticals, we have eight different strategies where you go from effectively single B to single A corporate risk. But these are all products that, historically, the banks were huge consumers of because they liked the risk, but because of regulatory change and now having to downsize those books. And our focus is to really take advantage of that transition of assets by using our footprint and just our knowledge of those assets, because we ran big books in our previous jobs at the bank.

Peter Antoszyk: Are you involved in any of the credit secondaries?

Symon Drake-Brockman: We haven't gone into credit secondaries so far. We've done it more through the NAV lending, and obviously what we're doing with Santander is the development. We have an ABF division now inside the firm where we're looking at how we can do financing collateralized against hard assets in that space, and we see the European banks were huge players in real asset financing, they were in leasing, et cetera. And so, in the United States, most of those businesses moved out of the banking system in the late '90s, and you had companies like CIT and GE Capital and that who ran big leasing businesses, et cetera and a lot of others. When I was at RBS, we were the largest rolling stock financer in Angel Trains, we were number two in aircraft financing. We had a big shipping business as B&P does and others in Europe, but all of those are coming out of the European banks, and what we've been focused on is capturing that opportunity, and we see that as a huge growth opportunity. So, once again, just an extension of corporate risk, but in a different format so people can get more diversification inside their portfolios as they come into Europe.

Peter Antoszyk: I want to pivot briefly to fundraising. I know you have Legal and General as an anchor investor, which provides a high degree of stability in terms of permanent capital. In the U.S., certainly in the private equity area, fundraising has stalled, although there's a tremendous amount of dry powder yet to be deployed. But in private credit, there's still a fair degree of appetite. I'm curious as to what you're seeing in Europe in terms of fundraising.

Symon Drake-Brockman: Allocators have historically been very overweight private equity in the alternative space, and I think as rates have risen and competition has increased in the private equity world, I think they've seen their returns starting to come down. And I think we've benefited tremendously from the increase in interest rates. So now the differential between the returns that we generate and what private equity is generating has narrowed dramatically. And I think if you look at our position at the top of the capital structure, that's a pretty attractive place to be. And so I think you've been seeing over the last two years a shift of money towards credit away from equity. And I think that will continue because I think rates are going to stay relatively high compared to the last decade for quite a long period of time. What's happening now is you're creating more and more different opportunities in the credit market inside of Europe.

And so they're saying, "I want a bit of this, and I'll have some of that," and therefore creating quite diversified pools, which means that they can justify putting even more capital into the space, because they're creating not only vintage difference, but they're creating actual product differences. So, we've seen a marked pick up in interest continuing probably over the last 12 months. I think the shock of interest rates and energy adjustments and Ukraine war and all of that certainly slowed things down in 2022 and into '23, but last year was a great year for us in capital raising. We will be pretty active again this year in capital raising. And the contact that I have with investors in all Asia, Europe and the United States, I think all of them continuing to see credit as an attractive place to be, and increasingly Europe as a priority over the United States, and that's good.

Peter Antoszyk: If the spreads between private equity and private credit have narrowed, is this the new normal, you think?

Symon Drake-Brockman: It's hard to say new normal because every year we have a new normal, so in that adjustment. But I think private equity, if I can say it the right way, had a phenomenal decade of zero interest rates where you had very low borrowing costs and you had increase in multiples, which meant the ability to create extremely attractive returns was very favorable. Clearly, if you have a multiple adjustment down in the market and you have to pay more for the financing for the business, it has to have an impact. So, you've either got to create real growth inside the business, you have to have real customer growth, et cetera. And so therefore, the expectation I think most people have is the absolute returns and private equity will continue to be attractive. But if you're looking at it from an IRR point of view, et cetera, that it's going to take probably longer and therefore the annualized returns will be significantly lower. And we're a cash-paying product, and so we get a coupon on a regular basis, we distribute that to our investors. And I think that becomes incredibly attractive to institutions because they have a very predictable cash flow coming off the portfolio, and they can use those funds to reinvest, and therefore I think credit has become very attractive in that comparison.

Peter Antoszyk: Where do you see Pemberton five or 10 years from now?

Symon Drake-Brockman: I think we have a pretty clear course. We think we have a market-leading position in the credit industry inside of Europe. We think, as you've seen in the United States, the growth of major firms in the U.S. in that space. And what we're endeavoring to do is be seen as not only one of the leading players, but one of the most thoughtful and attractive partners to work with in the European marketplace, which is why we've gone heavily into sectors and all of that to really have deep knowledge. And we think we can grow the firm dramatically, and today we are just shy of $30 billion of capital inside the firm. We think that number can move into the 100 plus billion of capital inside the firm relatively quickly over the next few years because of the access to deal flow that you have in the European marketplace. To me, we want to focus on what we do really well. We're not running off to get into private equity or anything else. We think we're good at credit. We think we have a position with our ten offices in Europe that gives us great accessibility to the opportunities, and we want to continue growing our client base in the other regions. We have a very strong following of European institutions. We've now expanded that significantly into Asia and increasingly in the United States, and that's to be seen as one of the firms that hopefully people think about when they want to do something in Europe.

Peter Antoszyk: Well, it sounds like you have a lot on your plate, and it doesn't sound like you'll be going back to your family farm in Australia anytime soon.

Symon Drake-Brockman: You're 100% correct in that one. I think we're very excited about the business we've got. We've had a great time in building it. We've had great support from our key LPs over the last 10 years, and we therefore see a massive opportunity and an exciting opportunity over the next five to 10 years.

Peter Antoszyk: Well, thank you for joining us, Symon. This has been a great conversation given that Europe is a key focus of investors and capital allocators today, and it will be for the foreseeable future. The kind of insights that you provide in these kind of forums are invaluable. So, thank you so much.

Symon Drake-Brockman: Well, thank you. It's been a pleasure to have the opportunity to speak to you, and thank you for the invitation.

Peter Antoszyk: And thank you, listeners, for listening to this episode of Private Market Talks.

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