

Ninepoint launches Canadian defense debt fund - exclusive

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The Toronto-based asset manager is gunning for a C\$500m fundraise.

Ninepoint Partners has launched a senior debt strategy targeting the Canadian national security sector, *Private Debt Investor* has learned.

The Toronto-based firm's debut fund aims to raise a total of C\$500 million (\$404.22 million; €342.79 million) with a minimum investment of C\$1 million, open to eligible high-net-worth and institutional investors. The fund is sub-advised by Waygar Capital, an asset-based lender in also out of Toronto.

The Sprott Canadian Senior Debt Fund will originate first lien senior secured loans to mid-market companies in the country's defense sector in addition to manufacturing and other fields, particularly firms that are restructuring or conducting turnaround transactions, a source familiar with the matter told *PDI*.

The vehicle is targeting a one-year return of 10 percent and an average loan-to-value ratio of 60 percent for its portfolio. The fund underwrites loans between C\$500,000 to C\$15 million.

The management fees for the fund are based on a sliding scale, starting at 0.85 percent fee for C\$20 million of seed investments. The fees decrease as investors commit more capital. The fund carries a 1.35 percent fee for the commitments ranging C\$1 million to C\$10 million; a 1.25 percent fee for C\$10 million to C\$20 million; and a 1.15 percent fee for commitments above C\$20 million.

As for performance fees, the fund breaks down the fees by length of the commitment, all of which are subject to a 7 percent hurdle rate. The seed capital investments have a 10 percent incentive fee. An investment without a three-year commitment carries a 20 percent performance fee, while an investment with a three-year commitment carries a 15 percent fee.

The Canadian defense sector is "heavily underserved" with an increasing amount of defense and national security companies experiencing restructuring and turnarounds, John Wilson, senior portfolio manager at

Ninepoint, said in a statement. The space spans an estimated 800 companies.

Wayne Ehgoetz, president and chief executive officer at Waygar Capital, wrote in an email that many companies in the military and security sectors have difficulties securing financing through Canada's largest banks. Such companies are "better suited to borrow from an asset-based lender" like Waygar "due to our primary focus on the balance sheet versus the income statement (and related ratio and leverage covenants), which is the methodology traditionally followed by the Big Five Banks," added Ehgoetz.

The firm expects Canada to spend billions more on military and security in the coming years, due to its NATO requirement to contribute funding to that organization, the statement read.

Ninepoint agreed to purchase the Canadian assets of Sprott Asset Management in August, including actively managed hedge and mutual funds. The new firm oversees approximately \$3 billion in assets under management.