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EXCLUSIVE | INDUSTRY NEWS

Sycamore Tree Capital Partners to Offer Private-Credit Secondary Strategy

Firm will be on the lookout for discounts as more credit firms are forced to sell assets to meet redemptions

By Isaac Taylor

Alternative credit firm Sycamore Tree Capital Partners is launching a dedicated private-credit secondary strategy to capitalize on what it bets will be a wave of opportunities in coming years.

The Dallas-based firm is tapping Robert O'Connor to lead the new group as a partner and portfolio manager. He joins from secondary investor Banner Ridge Partners, where he served as a managing director for over six years. His responsibilities included building relationships across private credit as well as sourcing and executing primary, secondary and co-investment commitments.

Sycamore Tree plans to expand the head count of the team to roughly six professionals, many of whom have already been identified, according to co-founder and Chief Executive Mark Okada.

Private-markets firms are opening their wallets to expand their secondary-focused teams as the strategy continues to gain traction. Senior hires can earn signing bonuses of over $1 million from asset managers eager to build out their secondary capabilities.

Sycamore Tree is looking to hire across the seniority spectrum for its team, including junior roles at the analyst level, Okada said.

The firm doesn't have a direct lending business, a fact it considers a primary differentiator of its new secondary strategy. This reduces competitive conflicts with general partners who manage credit funds, according to the firm.

"GPs are fairly selective when they're trying to find new homes for their limited partners' capital," Okada said. "[O'Connor] has many years of developing those relationships with the GP community ... he will see flow that other people won't."

New opportunities for secondary transactions have entered the market in recent months following asset sales by business development companies or private credit interval funds to pay for investor redemption requests.

Firms like Blue Owl Capital and New Mountain Capital have sold assets at relatively close to par, but market participants say they expect to see steeper discounts as owners of BDCs are forced to sell lower-quality assets.

BDCs have turned from being buyers of secondary interests into sellers, largely driven by accelerated redemption requests, Okada said.

"The portfolios that have traded so far have been very high-quality private credit, and they have traded at high prices because of that," he said.

But the market is in the early innings of a multiyear cycle of volatility, he added.

"I would assume that means that we'll see portfolios that are lower quality coming out over time," he said.