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Reflections on Wimbledon

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As a long-time observer and amateur practitioner of the game, we enjoy the season when tennis arrives at the hallowed grounds of Wimbledon. It also reminds us how capital markets, like the stately British stadium, evolve beyond decades of tradition into more sophisticated and timely versions.

There's the stark contrast between players, accustomed to hard courts, clay or other artificial surfaces, working their craft on the green sward. Only 5% of professional tennis tournaments worldwide are held on grass, making it a living fossil. In 2001 Wimbledon changed to a 100% perennial rye variety for a firmer surface. This gave clay-courters more of a chance.

Nevertheless, no one is building new grass courts. In this way the world of tennis is like banking. Since the early 1970's (when three of the four majors were in grass), banks have left their market share to direct lenders. About 5% of US leveraged loans are now held by banks.

And just as composite quick-dry surfaces proved more adaptable in varied weather conditions, non-banks can work through any business and economic situations thrown at them.

Technology has similarly played a role in these dynamics. Sophisticated financing tools (like carbon fiber rackets and advanced stringing techniques) have turned private credit into all-court players. Experienced asset managers can stretch from the middle to the upper market without losing stride and can provide private equity firms with all-court coverage, including secondary and NAV financings.

Wimbledon remains the most prestigious tennis tournament in the world given its rich history. But like the financial industry, it has gone through change and innovations. Gone are the serve-and-volleyers, replaced by the base-liners who can keep rallies going without ever approaching the net. Similarly, regional banks no longer underwrite and distribute middle market loans for private equity buyouts.

Today, all successful private credit managers have long-term capital to hold loans as long as they need to help private equity owners execute their game strategies. Every situation requires different tactics, and the ability to pivot if borrower performance deteriorates. Tennis great Bill Tilden put it best, "Never change a winning game; always change a losing game."

While the Big Three era in tennis is passing, fundamental truths remain. The best champions should win on all surfaces. Minimizing mistakes is key to success. Then analyzing those you make so you never make them again. Finally, it's all about perseverance and planning. Expect the unexpected. Whatever happens during the match, the last point is the only one that matters.