



Debt Funds.

Sustainable Differentiation
in a Growing Market.



BNY MELLON

Foreword

The alternative credit market is a dynamic, fast-evolving sector in which fund managers are competing fiercely for capital and investment opportunities. In addition, investors and regulators are demanding higher levels of transparency, risk management and governance. In this report, BNY Mellon looks at the challenges and opportunities for investors and managers, focusing in particular on the operational requirements that underpin successful business models.

In six sections, the report explores the key elements of the current market environment:

Macro background – Debt funds have become a major source of lending to mid-tier corporates, real estate, and infrastructure projects as banks have retrenched in the aftermath of the financial crisis. In parallel, institutional investors have increased appetite for alternative debt due to low returns from traditional fixed-income assets.

Investor demand – Seeking non-correlated absolute returns in a low interest-rate environment, large institutional investors are increasing their allocations to a variety of debt fund strategies. While some are investing in loans directly, many institutions are developing the expertise to allocate higher levels of AUM to debt funds, simultaneously increasing their scrutiny and due diligence.

Supply-side response – Hedge funds, private equity houses and asset managers – not all of which are debt specialists – are expanding their activities in a rapidly growing market, adding to competition for capital and transactions. Amid this growth, there is vast diversity between funds in terms of assets invested, structures, liquidity and tenor, with some managers looking to provide a comprehensive range of opportunities.

Regulatory context – An evolving regulatory framework is placing greater emphasis on transparency and reporting, forcing debt funds – especially those that originate loans – to

provide detailed and frequent information on the diverse asset types they hold. In particular, Europe's ongoing migration from national to a pan-European regime requires funds to be flexible in their middle- and back-office operations.

Building for growth – Increased competition in the debt fund market is encouraging managers to increase levels of specialisation and/or size, with implications for their operating models. The often illiquid and nuanced nature of the most attractive assets also imposes administrative burdens on managers seeking to boost investor returns.

A maturing market – As business models compete, flexibility is likely to be critical to success in the expanding alternative credit market. Partnership with experienced, scalable third-party providers of depositary, transfer agency, fund administration, loan administration, reporting and accounting solutions will provide debt fund managers with a robust platform for growth.

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Section 1: Macro background

Over the last decade, with significant changes in the financial markets, a quiet, but very possibly permanent shift has taken place in how growth is funded. Partly voluntarily, partly driven by regulation, banks have undertaken a massive deleveraging of their balance sheets in the aftermath of the global financial crisis, while balancing the need for return in an era of historically low interest rates. A significant consequence of this deleveraging has been a retrenchment of banks to their core markets, restricting their lending books only to a very specific range of well-understood and therefore risk-appropriate borrowers. As banks have sold off loan portfolios, a variety of buy side institutions (mainly hedge funds, private equity firms and asset managers) have emerged as a significant alternative source of funding.

The buy side institutions that entered the debt fund space have many diverse backgrounds and ambitions, which are often reflected in the roles they have taken and the markets in which they have specialised. These firms may originate from a particular sector, for example real estate or hedge funds seeking to capitalise on the market opportunity for a perceived need for liquidity. Debt funds are offered over an increasing range of activities: senior secured loans; commercial real estate; infrastructure; SME corporates; distressed debt etc., with mortgage loans and P₂P lending platforms emerging in tandem.

Debt funds have historically been more established in the US, corporate and institutional lending by banks have long been secondary to capital markets sources, where business development corporations (BDCs) have been providing funding to mid-sized corporates since the 1980s. Following a flurry of IPOs in 2012-14, there are now more than 50 BDCs listed on US exchanges, with a combined market capitalisation of around US\$30 billion.

However, perhaps the most profound change since the financial crisis has been seen in Europe. Here, as bank lending has typically played a much more significant role the vacuum left by the banks retreating in the aftermath of the financial crisis was much more keenly felt; particularly as securities markets were insufficiently developed in many areas of the region to offer a scalable alternative at short notice. Proposals under the European Commission's Capital Markets Union (CMU) initiative seek to accelerate this reliance on bank lending to other sources of capital, both public and private.

As a strong proxy for the overall funding being made available, the 2016 Preqin Global Private Debt Report¹ asserts that the global market for private credit stands at around \$560 billion. According to Deloitte's Q1 2016 Alternative Lender Deal Tracker², total global fundraising by direct lending managers reached \$36.0 billion in 2015, up from just \$22.4 billion in 2013. Fundraising by Europe-focused direct lending vehicles (\$19 billion) surpassed that by North America-focused funds (US\$14.9 billion) in 2015.

There is every reason to expect further growth in private debt products. In its April 2016 Global Financial Stability Report³, the International Monetary Fund pointed out that Euro-area banks still held €900 billion of non-performing loans. It reported that this "major structural weakness" required from policy makers "a comprehensive strategy combining assertive supervision, reforms to insolvency regimes, and developing distressed debt markets, including through asset management companies".

Indeed, so strong is the potential performance of the sector that competition is already intensifying, reflected in higher valuations with a consequential impact on yield. For the investment managers that

1 2016 Preqin Global Private Debt Report – Preqin 2016.

2 The Deloitte Alternative Lender Deal Tracker covers 47 leading alternative lenders on a quarterly basis (<http://www2.deloitte.com/uk/en/pages/financial-advisory/articles/alternative-lender-deal-tracker.html>).

3 Global Financial Stability Report – Potent Policies for a Successful Normalisation – April 2016, IMF World Economic and Financial Surveys.

run debt funds, the challenge is to build the scale and expertise to originate and allocate capital efficiently, based on more successful intermediation between the needs of borrowers and investors than their growing list of competitors.

If the post-crisis banking regulation played a big role in accelerating the existing trend of banks selling on their credit risk, the post-crisis macro-economic environment has also played its part in stoking demand among private equity houses, hedge funds, asset managers and institutional investors. Many of these managers and investors have faced their own performance challenges since the crisis, which have fuelled the flow of capital and expertise into the alternative credit industry.

As a result, regulation will likely also influence the future growth trajectory of the alternative credit industry. A continued increase in allocations to debt funds will encourage regulators to keep a close eye on this form of ‘shadow banking’, with the European Securities and Markets Authority (ESMA) already mooting new rules on leverage for loan originating funds. The industry however is countering this need for regulation, not only does it point out that such rules are unnecessary – levels of fund leverage “continue to be negligible”, says the Alternative Credit Council⁴ – but it insists that debt funds provide stable long-term financing for many corporate borrowers, and are based on strong credit risk expertise and rigorous credit selection processes.



⁴ Financing the Economy – The role of alternative asset managers in the non-bank lending environment – July 2016. Published by Deloitte, the Alternative Credit Council and the Alternative Investment Management Association.

Section 2: Investor demand

Prevailing macro-economic trends are giving a range of institutional investors good reason to explore the opportunities in the alternative credit market. Low interest rates, low growth, and macro-economic uncertainty are among the factors that have depressed performance of more traditional investments.

As a result, allocations to credit by large institutional investors have grown significantly over the past decade, as have the number and size of vehicles launched to channel this interest. Meanwhile some investors, notably large insurers and pension funds, are specifically increasing their allocation to the asset class.

In its latest investor survey,⁵ Preqin reported that 36% of institutional investors were allocating investment to private debt. More than 40% of institutional investors had a target allocation for private debt of between 5-15% of total AUM. Two thirds (67%) said they intended to increase allocations to private equity in the longer term, while just under half (46%) said they expected to invest more capital in private debt in the next 12 months than in the previous period. A total of 59% of investors said they had a positive view of the asset class.

During Q2 2016, 26 private debt funds raised a total of US\$15.7 billion from investors, the overwhelming majority in Europe and North America. At present, around 250 funds are seeking an aggregate US\$141 billion in capital commitments in this increasingly competitive market.

Absolute and non-correlated returns are the ultimate aim, but relative outperformance is also a draw, enabling debt funds to overcome reservations around liquidity. As an overall asset class, private debt has compared favourably to US Treasuries, that staple of the long-term, fixed income institutional investor. In its 2016 Alternative Assets Performance Monitor⁶, Preqin noted that direct lending funds launched 2008-2011 had achieved internal rates of return of 10-14%, and predicted higher returns from funds launched 2012-2013, adding that direct lending funds had been “a major contributing factor to the growth of private debt in recent

years”. In the US, listed BDCs have been achieving returns of between 9-14% per annum in recent years, with some delivering 19%, prompting further flows into the alternative credit sector. While US Treasuries are among the safest of fixed-income investments, the risk profile of private debt funds varies considerably with distressed debt at the high-risk, high-return end of the spectrum.

For many traditional bond investors, loans may be considered more attractive than high-yield bonds, due to their historical tendency to offer a lower default rate, higher recovery rate and are repaid before bonds in the event of default. Loans also typically provide inflation protection because they use a floating rate of interest; moreover corporate credit is both a well-understood and well-established asset class, and enables diversification, for example by issuer, industry or geography (although this can lead to over-exposure to specific risk concentrations).

Overall there is a very wide variety of investor demand. From a strategy perspective, investor appetite is diverse in terms of size, tenor and risk profile, with infrastructure debt appealing to those with long-term needs, mezzanine debt to those with very specific risk/return requirements and distressed debt for those seeking high returns at high risk. And while long-term investors such as pension funds and insurance firms often look to debt funds for longer-duration assets that banks are no longer able to supply at scale, they are not necessarily restricted to the far end of the duration spectrum.

Size often plays a role in the approach of institutional investors to the alternative credit market. Some larger institutions are making direct investments, buying or originating loans themselves. While many insurers are conducting more of their asset management in-house and hiring portfolio managers for real assets, some larger firms have established vehicles in order to meet their increasing interest in credit. They are, for example setting up platforms for a suite of funds to cater for the different asset segments. Smaller pension funds are likely to buy in the expertise to invest confidently in these illiquid assets, but less so to both buy and sell loans.

⁵ Preqin Investor Outlook: Alternative Assets – H2 2016.

⁶ 2016 Preqin Alternative Performance Monitor – Preqin 2016.

Section 3: Supply-side response

For the reasons mentioned above, Preqin is now seeing a higher proportion of institutional investment flowing into the alternative credit market, with debt funds in particular benefitting from increased allocations. European private debt funds raised a record US\$32 billion from investors in 2015 and are expected to exceed that amount in 2016, according to Preqin⁷, which expects North American funds to continue to attract “a strong flow of new commitments and investment throughout the rest of the year”. In its survey, 47% of investors still view North America as presenting the best private debt opportunities.

As the alternative investment sector is experiencing mixed fortunes, with hedge funds, for example, under greater scrutiny from a performance perspective, the debt fund market offers a dynamic and fast-changing mix of established expertise with new opportunities in the recent entrants, looking to apply their capabilities to fast-evolving opportunities. As well as variety in the type of players offering debt funds, there is of course much diversity in fund size, structure (open and closed-ended) and strategy (e.g. private credit, mezzanine, commercial real estate, infrastructure, senior secured loans, opportunity, distressed), resulting in a wide risk/reward range. According to Preqin⁸, direct lending, mezzanine and distressed debt are the top three strategies being targeted by private debt investors over the next 12 months.

Over the past decade, many hedge funds, private equity firms and asset managers have entered or extended their presence in alternative credit through loan book acquisition from banks, with some extending into direct origination. Some large brands are hiring in the expertise, while some existing specialists, for example those in the Collateralised Loan Obligation (CLO) space, are looking to put in place the necessary infrastructure to expand their original range of offerings.

In response to growing demand, managers are creating sub-funds to cater for investor interest in different types of assets, the larger ones operating broad fund platforms from which investors can select a spectrum of options, depending on appetite and priorities. Managers that have achieved success by operating a specialist fund in a particular niche are branching out, launching funds or sub-funds in adjacent asset types, which can have implications from a risk management and operational process level.

Differences between managers

An increasing number of hedge funds and private equity firms are either extending their debt fund offerings or entering the market for the first time, in response to growing demand, with debt exposure to commercial real estate and infrastructure of particular interest. In the US, private equity firms have accounted for the majority of BDCs created over the last few years and sponsored roughly 95% of BDC launches and filings, according to Deloitte Center for Financial Services estimates⁹.

Some hedge funds are specialising in mezzanine and unitranche financing, which provide borrowers with additional flexibility and leverage. Private equity firms are most interested in the higher return, less-liquid end of the market, such as distressed debt, due in part to parallels with their equity-based investment strategies.

Large long-only asset management firms are adapting their business models as they shift into the credit space, inspired further by CMU's promotion of alternative sources of funding, notably for infrastructure projects. Some are now offering a range of credit funds, based on geography or risk appetite, but will set up separately managed accounts for big-ticket investments.

A number of single manager hedge funds that are increasing their investments in bank debt are looking to build a streamlined operating model to be as cost-effective as possible, for example via an integrated outsourced service offering.

⁷ Preqin Investor Outlook: Alternative Assets H2 2016

⁸ Preqin Investor Outlook: Alternative Assets H2 2016

⁹ Business Development Companies – Middle-market financiers of the future? – Deloitte Center for Financial Services – 2015

Structures and liquidity

According to ‘Financing the economy 2016’, a report on alternative credit by Deloitte, AIMA and the Alternative Credit Council¹⁰, the Cayman Islands and Luxembourg are the most popular domiciles for debt funds, followed by Ireland, the UK and the US. Three quarters of alternative credit managers structure funds as partnerships, with around a half using managed accounts.

Fund tenors and structures vary, with some similarity to private equity funds offering a three-to-five year investment period, albeit longer (eight to ten) maturities are common, mirroring loan terms. Structures vary by location as well, with Ireland being home to mostly open-ended funds with multiple sub-fund options, while Luxembourg typically playing host to more closed-end funds.

In the US, BDCs are typically closed-end structures, whether publicly listed or private, although the former typically have more regular redemption opportunities, in some cases monthly, not least due because of their availability to a wider range of investors. However, in line with other markets, the US is seeing a wider range of structures emerge as more providers – notably larger asset managers – enter the market.

Historically, a number of alternative investment managers – especially those operating in the infrastructure and real-estate space – have typically offered closed-end funds that provide few redemption opportunities. However, demand from pension funds and other institutional investors that have recently been burned by illiquid investments has led to an increase in evergreen structures, including among debt funds. By definition, many loans are illiquid, but more redemption opportunities are being granted given the demand, though with appropriate redemption controls and gates.

However, provision of redemption gates has operational implications and typically requires a suitable technology platform to adequately handle the middle- and back-office processes involved in providing clients with this level of flexibility. This can be achieved in-house or can be outsourced by managers as part of their efforts to build out operational scale and breadth, independent from front-office activities.

¹⁰ Financing the Economy – The role of alternative asset managers in the non-bank lending environment – July 2016. Published by Deloitte, the Alternative Credit Council and the Alternative Investment Management Association



Section 4: Regulatory context

The growing role of non-banks in the origination, trading and restructuring of loans has attracted considerable regulatory attention. As banks have collectively reduced their intermediary role in the lending market, regulators have been concerned about the systemic risk implications of so-called “shadow banking”, the broad term used to describe non-bank financial institutions providing services in markets previously serviced by banks.

In Europe, the size and activities of the alternative credit industry are determined by both local and European legislation, resulting in some specific nuances at a country level. While some markets are relatively large and mature, others are only beginning to develop. Germany, for example, received a boost in May 2015 when BaFin permitted investment managers to grant loans as long as they were part of the process of collective portfolio management, but the German regulatory framework for debt funds remains far from complete.

At a pan-European level, the regulatory framework for credit funds is taking shape, with ESMA looking to create a pan-European approach to the regulation of loan origination funds. Proposals to introduce leverage limits have not been received well by the industry. ESMA's published opinion on a pan-European regulatory framework also outlines various organisational and reporting requirements for funds, to minimise systemic risk arising from the growing role of funds in credit provision. ESMA calls for loan-originating funds to provide a risk appetite statement as well as policies and procedures on collateral management, concentration and operational risk, borrower assessment and scoring, and the assessment, pricing and granting of credit. It remains to be seen whether these requirements will prove more onerous than existing rules. ESMA's opinion was intended to feed into a European Commission consultation on loan origination by investment funds, as part of its Capital Markets Union initiative, but to date this consultation has yet to be launched.

In terms of current European regulation, debt funds are not sufficiently liquid to be registered as UCITS and as such are regulated under AIFMD in Europe. Funds operated by AIFMD-registered managers are allowed to originate loans, but the directive imposes additional organisational, reporting and risk management requirements. Loan-originating funds must have appropriate organisational and governance structures, expertise and experience in origination activity (including credit and liquidity risk management), clear policies regarding assets and investors, as well as proper disclosure and transparency.

In addition, for alternative investment funds qualifying as European Long-Term Investment Funds (ELTIFs), European Social Entrepreneurship Funds (EuSEFs) or European Venture Capital Funds (EuVEFAs), the granting of loans is explicitly permitted under conditions mentioned in the respective EU regulations. As part of the CMU initiative to encourage non-bank financing in Europe, ELTIFs are expected to further increase the participation of debt funds in long-term infrastructure projects.

Non-AIFMD funds can still be domiciled and marketed in European jurisdictions, albeit with restrictions on to whom and where they can be marketed. Due to the demands of investors, these funds, along with offshore-registered funds, such as those in Cayman Islands, still provide stringent levels of governance and transparency.

In the US, BDCs were effectively created in 1980 by an amendment to the Investment Company Act of 1940 to provide non-bank lending to mid-tier corporates and SMEs. In addition to these publicly-traded closed-end funds, which bear comparison with venture capital and private equity funds, many private vehicles also operate in the US, notably non-listed BDCs (which must follow broadly similar regulatory requirements as listed BDCs) and small business investment companies. Many debt funds recently launched by US asset managers are not constituted as BDCs and thus provide institutional investors with an alternative vehicle for exposure. From a regulatory perspective, the key characteristics of publicly-listed BDCs are exemptions from corporation tax, restrictions on debt and leverage levels and stringent reporting requirements.

One regulatory issue currently impacting alternative credit in the US is the classification of CLOs as securitisations under the Dodd Frank Act, which means issuers must retain 5% of the value of the CLO issuance. This is changing market dynamics, forcing CLO funds to be more highly capitalised, resulting in an influx of new entrants, either on their own or in partnership with existing participants.

Increased regulation is likely to drive operational requirements for managers of debt funds, leading to heightened demand for outsourced service models. Regulatory burdens are common to all asset managers, but will be very keenly felt in the debt space as the bespoke, non-standard nature of the assets can lead to high headcounts for those conducting all middle- and back-office functions in-house.

Section 5: Building for growth

Growth in the alternative credit market presents both opportunities and challenges. For niche managers looking to expand, the operational hurdles to offering a wider range of funds may be front of mind. For managers expanding into the space, the priority may be getting to grips with the idiosyncrasies of debt assets which display different characteristics to private equity and real estate assets for example, and are far less liquid or standardised than debt investments traditionally made by long-only asset managers.

It is too early in the development of the sector to be certain which models will prevail, but it is likely that investors will continue to be drawn to specialists that can continually demonstrate their ability to deliver strong performance; the ability to scale credibly without losing niche expertise may well be more powerful still.

Increased competition for transactions (due to strong investment inflows) is favouring firms with the necessary presence and expertise to originate opportunities and effectively manage the assets in a cost-efficient manner. The alternative is to go further afield or focus on fewer, larger deals, with many 'second generation' funds seeking out higher returns in less-travelled market, e.g. distressed debt. Allied to this, risk management capabilities will inevitably play a larger role in the effective management of funds as the weight of investment builds.

The growing difficulties of allocating investment efficiently are becoming more evident. Preqin recently estimated a total of US\$199 billion in capital available for investment in private debt funds in June 2016¹¹, versus US\$73 billion in 2006. Direct lending funds (US\$65.4 billion) and distressed debt funds (US\$63.3 billion) held the most unallocated capital or 'dry powder'¹².

One characteristic common to most managers in the alternative credit space, large or small, is a relatively light operational infrastructure versus the banks they have replaced, most relying on banks to service their back-office requirements to a greater or lesser extent. Typically, asset managers continue to maintain only a relatively light infrastructure in order to respond quickly to changes in investor demand. As such, most are

reluctant to build out big back-office capabilities, despite the complex and bespoke nature of the credit assets in which they are now investing. This suggests the role of third-party providers will be crucial in the ability of credit funds to provide performance at scale.

Transparency and reporting

Alongside growth, a key requirement of investors is transparency, meaning debt funds must be able to provide detailed, regular reporting on an automated, scalable basis. In particular, investors (and regulators) expect funds to supply independently verified valuation and pricing data.

The reporting and administrative obligations of alternative investment managers can add significantly to headcount, if one factors in the full gamut of loan administration, fund administration, depositary and transfer agency functions. Alternative credit funds that invest in a range of debt assets with different profiles and attributes may struggle to keep track of such a diverse portfolio without increased investment in technology.

Reporting requirements of debt funds depend of course on the nature of the assets. Funds that invest in complex instruments such as CLOs, effectively a package of underlying loans, may need to track and report principal repayments, for example, and cashflows related to the special purpose vehicle that issues the securities, as well as the accounting and performance reports required of more straightforward debt investments. Funds branching into CLOs from other areas of the debt fund market may find it a challenge to supply the reporting expected by institutional investors without third-party support.

Regulatory reporting requirements for credit funds vary from market to market but also within jurisdictions. For example, publicly-listed BDCs in the US are regulated by the Securities and Exchanges Commission (SEC) and must fulfill markedly different reporting and filing requirements than private investment vehicles, not least because they can be marketed and distributed to a much wider investor base, including the retail market. As such, these listed BDCs must file quarterly reports, annual reports and proxy statements with the SEC.

¹¹ Preqin Quarterly Update – Private Debt Q2 2016

¹² Preqin Quarterly Update – Private Debt Q2 2016

Despite their listed status, BDCs are not traded like other stocks and need to contract with a transfer agent to list all the owned securities and to effect redemptions and transfers, which is a more complex process for alternative credit funds than more traditional fund structures.

Moreover, debt funds will need to accommodate the regulatory reporting requirements recently imposed on institutional investors, such as Solvency II, which demands insurers provide much more detailed reporting on all funds in which they invest, with obvious implications for the funds themselves.

Although it is a significant operational challenge for funds to consolidate and aggregate data from several different sources in order to adequately and efficiently provide the necessary levels of risk reporting, technology advances are offering increasingly flexible solutions. The market is moving toward integrated warehouses, although it is still challenged to achieve the necessary levels of automation while also keeping up to speed with an evolving regulatory framework. As such only a relatively small number of fund providers can meet this challenge as the market moves slowly toward more harmonisation and standardisation of reporting.

The variety of different reporting requirements by instrument, investor and jurisdiction means that no one single solution or platform can be used to automate middle- and back-office requirements across all funds in the debt sector. Third-parties can provide more automation than the funds themselves, but they need to rely on a broad mix of capabilities to meet often customised needs.

Back-office challenges

Loans and other instruments in debt fund portfolios are very manual to process and most firms looking to branch into the market typically do not have the necessary operating structure or relationships with agent banks in order to fulfill the required back-office responsibilities efficiently.

Partly because loans are negotiated according to specific terms between borrower and lender, they contain many individual nuances, albeit within a broadly common framework. Repayment schedules may be semi-annual, quarterly or weekly, for example, and may be rescheduled and realigned. Back-office processes are paper-driven and highly fragmented, with multiple agent banks and registrars involved in any transfer of ownership. As such, settlement processes are very long compared with government or corporate debt, typically up to T+16 in the US and T+20 in Europe.

There are however, a number of initiatives to accelerate and automate back-office processes related to loan transactions. US and European securities market infrastructure operators are working with the industry to compress settlement times, whilst electronic workflow management tools are gradually being introduced to automate settlement, reconciliation and other transfer processes. Nevertheless, debt funds are likely to remain relatively resource-intensive from a back-office headcount perspective for the foreseeable future.

Section 6: A maturing market

The level of credit analysis required to originate and participate in loans is highly resource intensive, requiring fine judgment rather than a systematic approach. Debt fund managers surveyed in Deloitte’s “Financing the Economy 2016” report identified credit analysis as their most time-consuming activity, followed by sourcing viable credit opportunities, a function of the heightened competition for assets. Allocations by institutional investors to alternative credit might be rising but they are still running at around 1-2%. As the market experiences increasing levels of competition for assets and investment, the effort of putting in place the necessary back-office processes to support growth is a further burden that managers are looking to handle as cost effectively as possible.

While there are a number of common characteristics with other alternative investment funds, the highly individual liquidity and credit profiles of loans and other debt assets means debt funds require appropriately tailored services and solutions across depository, transfer agency, fund administration, loan administration, reporting and accounting.

The regulatory framework for debt funds is still evolving, especially in Europe, but the level of reporting and transparency required by investors is such that debt fund managers will need access to customised and flexible services built on in-depth expertise and an automated, end-to-end platform to meet client and regulatory requirements at scale.

At this stage in the sector’s development, specialist debt managers must focus closely on finding opportunities and delivering performance.



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