

Hedge Fund Alert

THE WEEKLY UPDATE ON FUND MANAGEMENT INTELLIGENCE

After Solid Gains, Firm Specializing in Factoring, Small-Business Loans Seeks Ambitious Growth

Specialty-finance operation **Altriarch Commercial Finance** is on an asset-raising tear, with aspirations to increase its investor capital by hundreds of millions of dollars.

The asset-based credit investor now manages about \$240 million, up from \$100 million in November 2021, with its capital deployed to three areas: factoring, or providing financing to companies via the purchase of accounts receivable; term loans to small businesses; and financing of firms that run their own factoring businesses.

In December, the Charleston, S.C., operation hired placement agent **Silver Leaf Partners** to help bring its commingled fund to \$150 million by yearend. The vehicle launched in August with \$20 million of seed capital from the **University of Wyoming**.

Separately, Altriarch aims to grow the assets of its factoring business to \$500 million in the next few years from just over \$50 million now.

The commingled offering, Altriarch Specialty Finance Fund, invests in direct factoring and finances other factoring companies. Its track record, dating to November 2021, shows net returns of more than 14% in both 2022 and 2023.

Given that the fund provides quarterly distributions, Altriarch aims to draw allocations from investors seeking regular cashflows, including endowments, pensions and foundations.

In addition to offering its factoring and factoring finance lines via Altriarch's fund, the firm will mix and match products for potential allocators. For instance, an investor in its hedge fund might also choose to provide capital to Altriarch's direct factoring business.

Altriarch is seeking to fill a widening gap between the

needs of companies, most of which have less than \$1 billion of revenue, and banks, which have pulled back on lending. Factoring operations – Altriarch counts about 400 in the U.S. – also are finding it harder to access capital to run their firms.

Altriarch is led by co-chief executives **Danielle Brown** and **McLean Wilson**.

Brown previously was a managing director at **Dyal Capital**, which took minority stakes in alternative-investment firms before it joined with **Owl Rock Capital** to form **Blue Owl** in 2020. At Dyal, Brown acted as an operating partner to help its private equity and hedge fund portfolio firms maximize their efficiency and launch new business lines.

Wilson, who has a background in factoring and factoring finance, was CEO and majority owner of **Breakout Finance**, which started out issuing small-business loans and then expanded into factoring in 2021 as part of a plan with Brown to launch Altriarch.

Brown and Wilson initially formed a joint venture in February 2021. It now operates as Altriarch's asset-management unit, allocating \$141 million to all three of the firm's business lines. It also manages the commingled fund and separate accounts owned by other credit firms.

The initial arrangement permitted Altriarch to start its investment track record in November 2021. Then in September of 2023, the firm formed Altriarch Commercial Finance as its parent entity and bought Breakout, which just months earlier had acquired another factoring business called **12Five Capital**. That company is in the process of merging into Breakout.

Altriarch also manages \$76 million of balance-sheet capital that's funded by **Synovus Bank** and that's allocated to the firm's small-business loans and direct factoring operation.

Altriarch has some 40 employees working on its businesses.

The firm's factoring financing takes the form of senior-secured loans, mezzanine loans and co-investments with other factoring businesses. All of its direct and financed factoring investments involve the pur-

chase of accounts receivable from operating businesses, which use the money from Altriarch as their own operating capital.

When those companies' clients pay off their accounts, now owned by the factoring firms, the factoring businesses take their cut and pay the remainder to the operating companies.

Altriarch's direct factoring business via Breakout and 12Five manages \$54 million – the sum that Altriarch hopes to grow to \$500 million. Breakout also manages \$37 million of small-business term loans.

The firm's direct factoring deals are typically \$3 million to \$5 million each and have two-year terms. The financing that Altriarch provides to other factoring

companies typically amounts to \$15 million apiece, also with two-year terms. The small-business loans are typically for \$250,000 each, with terms up to 18 months.

Brown worked at Dyal Capital from 2012 to 2020. Before that, she headed marketing and investor relations at global-macro firm **Round Table Investment**, with earlier stops at **Wells Fargo** and **Wachovia**, where she researched and allocated to alternative-investment funds.

Wilson became chief executive of Breakout in 2019. He previously was chief executive and owner of factoring business **inFactor**. He also was a co-founder of **Charleston Capital**, which financed both inFactor and Breakout. ■