



How can I manage a successful CLO platform?

Dana Carey, cio, MidOcean Credit Partners explains that managing a successful CLO platform is like assembling a jigsaw puzzle – there are many complex pieces that need to fit together for it to create an efficient, effective and cohesive final product.

In a universe of more than 100 CLO managers, since the financial crisis, few have done much to differentiate themselves. Some managers have tried, but such ambitions have led to problematic outcomes. Take for example those who have reached for spread, creating alpha for the equity, but leaving liability investors feeling at odds with the manager. And then there's those with conviction who sought after lower diversity, but were ultimately left reeling with issues, notably with respect to the oil and gas crisis.

Given this, and, as a more general matter, the portfolio overlap and similar approaches to credit amongst CLO managers, you learn that, for the most part, CLO managers seek to blend in rather than stand out. So, with this in mind, one must ask: as a manager, how can you differentiate yourself in a meaningful but positive way while creating value and efficiency for all parties?

This synchrony begins with ensuring the right team is in place. At MidOcean, we are heavily focused on investing in our people: a deep and unified bench is critical to building differentiated portfolios and managing risk with a 'win by not losing mentality.' Everyone from senior management, portfolio managers, research, trading, operations, and investor relations must work together cohesively towards a shared goal. In today's challenging markets, a highly structured approach is also required to ensure a CLO manager can yield efficient and repeatable results for investors, whether when playing offense or defense. To that end, our research team is platform-based and organized by sector, and our Investment Committee oversees all strategies, and votes on every name that comes on the platform, with unanimous vote required for approval.

The more the market knows about a manager, the better. We strive to be an open book to our lenders, and to have members of our team actively engaged in open dialogue with CLO market participants broadly and institutional investors specifically, as evidenced by our hiring of Jamil Nathoo, former Goldman Sachs Head of CLO and ABS Syndicate, earlier this year. We believe investors must know how a CLO manager operates – in other words, a manager's take on the market, current areas of concern, current areas of opportunities, outlook. The more investors know about a manager, the more they will know what they can expect from that manager, and that efficiency will inevitably lead to programmatic investing and issuing. Building and fostering key relationships – whether with investors or with banks or counterparties – bring enormous synergies and ease of access to loans and opportunities.

It is essential that a manager have conviction, be prepared, and also, importantly, have the support of a solid and trusted platform. After all, it's what we know our investors expect from us and what we

look for in other CLO managers as a tranche investor ourselves. As we prepare our firm for future growth, self-reflection of our structure as a manager is crucial to unlock the full potential of our platform.

When I joined MidOcean as CIO from Apollo in 2019 it was with the goal of leveraging my over 20 years of experience in credit markets to successfully scale the credit platform and elevate the existing CLO franchise to best position it for future growth. Since then, we've continued to expand our bench of talent, as previously noted, and late last year formed a strategic partnership with Bennett Goodman's Hunter Point Capital to bolster our balance sheet and focus on re-investing the firm. Access to capital unlocking ease and independence in the market, coupled with a strong team build out and investor transparency, are key to CLO manager efficiency and driving future success. I am pleased to be part of a team that values these important pieces that make up the puzzle that defines an efficient and successful CLO manager.

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