DOWJONES | LBO Wire

'There Is Enough Credit to Go Around,' Says Monroe Capital Chief

LBO Wire
Shasha Dai
August 27, 2012,

At a time when credit is the game of the town, asset managers large and small alike are strategizing, positioning and repositioning themselves.

The same is true with Chicago-based Monroe Capital, a provider of senior and junior capital to midmarket companies. President and Chief Executive Ted Koenig said the firm has "some new products on the shelf" that are coming to market. He declined to comment on the products or the timing of their unveiling.

In an interview with LBO Wire earlier this year, Koenig said Monroe Capital was looking to issue new collateralized loan obligation vehicles, as the CLO market saw a strong rebound during the first half of 2012.

When asked about plans for new CLOs, Mr. Koenig said, "It is definitely on my radar screen. It all depends on market conditions. We have to see what the market allows."

Mr. Koenig also commented on the race among megafirms to build up credit investing businesses. **Blackstone** Group and **Carlyle Group** , for instance, have declared credit among their fastest-growing business segments. **Apollo Global Management** , where credit has surpassed private equity as the largest division by assets, has launched new funds and strategic accounts that target credit. **Kohlberg Kravis Roberts & Co** . is seeking retail investors, as well as institutional investors, in its pursuit of the credit strategy. And credit specialist **Oaktree Capital Group** has unveiled at least two new funds over the last few months.

Mr. Koenig said the raft of new initiatives is being driven by investor demand.

"There is clearly an interest from investors," Mr. Koenig. "The food chain starts with institutional investors, who want low-volatility, stable, predictable and consistent returns."

He said it is too early for any firm to declare victory in part because of the sheer volume of deal flow and demand from investors.

During public presentations and media interviews over the last few months, executives from **Blackstone** , Apollo and Oaktree have pointed to deal flow being spurred by European banks unloading nonperforming loans and other distressed assets, and by healthier businesses seeking funding of their operations and refinancing of debt. The executives also cited the expanding investor pool, with institutional investors reallocating money to credit strategies, and retail investors looking to earn higher risk-adjusted returns.

"There is enough credit to go around for everyone," said Mr. Koenig.

Mr. Koenig said he wasn't daunted by competition. One differentiating factor, he said, between megafirm credit managers and midmarket players like Monroe Capital is that many megafirm managers buy positions from big banks' trading desks, while midmarket lenders tend to originate the loans that they usually keep parts of. That results in more intimate knowledge of the underlying assets and greater control of the deal structure, he said.

"We have to have some ways to control our destiny," Mr. Koenig said.

Monroe Capital targets transactions valued at $10 million to $150 million, and typically holds $10 million to $75 million of the loans it originates.

The way midmarket lenders typically generate deal flow also means less competition, according to Mr. Koenig. "It is harder to uncover those opportunities because we don't buy credits from trading desks and we have to originate the credit," he said.

"Some firms take the supermarket model, and many more like Monroe Capital have a specialty focus."