

Flight To Quality Managers Expected 10/20/2008 08:20 PM

--Katy Burne & Leela Parker

Adding value as a collateralized debt/loan obligation manager is more important than ever in the current downturn, as risk is repriced, portfolios are recast and deals are placed with non-traditional investors, panelists at IMN's ABS East conference said Monday.

"This is a time for managers to show their value," said **Alexander Rekedo**, managing director at **Guggenheim Capital Markets**, on the "CDOs and CLOs: Outlook for Issuance and Structural Evolution" panel. "If managers are on top of the market...they can make credit calls as far as what will perform or not." He conceded, however, that foresight is difficult amid such high volatility. "Certainly the events we've seen are unprecedented. If any human being can predict default rates in the next 12 months, I want to see that person now."

Zach Buchwald, managing director at **BlackRock Solutions**, said managers can set themselves apart by aggressively amending deals as necessary to ensure they come out with flying colors. "Some managers dramatically outperform the market and others dramatically underperform," he said. When watchers from the floor were asked about manager strategies for ensuring better returns, **Walter Shulits**, v.p. of institutional bank loan relationships at **Eaton Vance Management (International)**, said his firm is nimble but conservative, so its style is not to go after distressed assets just because they look attractive at present.

Managers may bring volatility to the rating of a deal depending on their actions, explained **Henry Albuлесcu**, managing director at **Standard & Poor's**, on "The CDO Secondary Market: Assessing The Damage" panel. Additionally, said **Rich Rizzo**, managing director of CDO trading at **Deutsche Bank**, it is vital to judge CDO performance in light of managers' motivations and incentives. "I think it's as important to assess manager motivation as it is what they should do...and examine their purchasing and sales activity."

David Teshner, director at S&P, said the notion of consolidation between collateral managers has been bandied about of late. But **Keith Niebrugge**, managing director in the U.S. securitization group at **BMO Capital Markets**, said this has not yet become a reality because asset managers feel they can keep their powder drier by collecting fees on existing deals than selling out and looking for a new job.