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Global credit funds & CLOs

Marina Lutova Meyers

Head of Fundamental Relative Value Credit

Citadel

Born: *Sofia, Bulgaria*

Lives: *Manhattan, New York*

Education: *MBA from Harvard Business School; MPA in International Development from the John F Kennedy School at Harvard*

Hidden talent: *Playing jazz trumpet*

Favourite movie: *Forrest Gump. A deeply human story that challenges stereotypes about mental disability and offers an interesting representation of US history over the past 60 years*

Bucket list: *I have always wanted to travel to Japan so I could see the cherry blossoms and eat authentic sushi*

Career: *Meyers joined Citadel at the start of the year as the firm's head of fundamental relative value credit. She previously worked at BlueMountain Capital Management for over a decade, where she oversaw performing credit globally*

Citadel: *is one of the best-known hedge fund managers. Based in Chicago, the firm oversees roughly $30 billion in assets*

Lack of covenants could be a big theme in the next credit cycle

What does your new role at Citadel entail?

I joined Citadel at the start of the year and I am responsible for fundamental relative value credit. Our strategy is to perform bottom-up analysis on the enterprise value of a company. After we look at the fundamentals and decide on the direction of the exposure (long or short), we choose which instruments we want to invest through, whether it be loans, bonds, equities or derivatives.

Sometimes we are agnostic on the enterprise value, but are able to find mispricing between instruments within the capital structure - for example, a loan that is cheap to bonds or equity that is cheap to credit.

What was your first job in credit?

I started my career in the early 2000s as an intern on the mortgage-backed securities team at Lehman Brothers in New York. This experience gave me exposure to structured credit at an early stage in my career. I then went on to work at McKinsey & Co and Bridgewater Associates, and later joined BlueMountain, where I worked for almost 11 years and led the firm's long-short credit business.

During the course of your career, who has been your biggest inspiration?

I am fortunate to have had a number of inspirational mentors. I have always admired Citadel founder Ken Griffin for his tenacity in building a large and successful hedge fund business. His impressive leadership is one of the factors that drew me to Citadel. In the early part of my career, Bridgewater founder Ray Dalio was my mentor; he is brilliant in the way he thinks about markets. BlueMountain co-founder Andrew Feldstein has also been a huge influence.

What is the best investment in credit today?

From a relative value perspective, loans are attractive compared to high yield bonds. The supply dynamic is less of a tailwind compared to bonds, but the demand side appears more stable given the broader desire to hold floating-rate assets. Not only are investors able to pick up additional yield, they can also move higher in the capital structure versus high yield bonds and, in most cases, have better collateral protection. There are also a few examples of loans that afford investors double-digit returns relative to what is available in the high yield bond space.

If you're bearish on high yield, would you advocate outright shorts via CDS?

Using CDX or TRS products is certainly one way to express this view. One can buy loan TRS versus selling bond TRS or being short via CDX. On the short side, our preference is to find idiosyncratic investments where securities of weaker-positioned companies do not reflect the underlying risk. Most of the time, we express our views using relative value structures, such as by going long secured bonds or loans and shorting unsecured bonds or derivatives across different issuers or within the same capital structure.

Where is the credit market headed?

Valuations are stretched. We are at the tail-end of the cycle and we are seeing central banks across the globe pull back on the unprecedented easing that took place over the past several years. In the US, fiscal stimulus in the face of tax reform is affecting near term growth and, given full employment rates, we are potentially facing an increased risk of overheating. Trade and political uncertainty could also lead to a market correction. If that happens, we are likely to see lower prices given low fixed coupons in fixed rate bonds. In addition, the lack of covenants could lead to lower recoveries in default in the next credit cycle.

What issues frustrate you about the market?

Given the increase in notional outstanding in both HY and IG bonds, our market is ripe for additional ways to transact bonds, including an all-to-all electronic trading platform for larger blocks. Better liquidity in single name CDS via clearing would also benefit all credit investors.