



Navigating the post-crisis landscape

Evan Schwartzberg, head of sales and trading, and Mathew Van Alstyne, head of research at Odeon Capital Group, answer SCI's questions



Q: How and when did Odeon Capital Group become involved in the structured finance market?

MVA: Odeon Capital Group launched a year ago with six people and now has a head-count of almost 40. We're a full-service boutique broker-dealer, with over US\$2.5bn in transaction volume so far.

Our expertise is in distressed corporate credits and structured products, ranging from student loan ABS, through to CMOs and XXX securitisations. Together with research and sales and trading platforms, Odeon has an investment banking department that is currently working on structuring a number of deals.

Evan and I have known each other for over six years: I was a client of his at Ore Hill. We saw that the financial crisis was coming and thought that it would be an opportune time to focus on esoteric assets.

Q: What are you focusing on at the moment?

Evan Schwartzberg

'orphan instruments'. These bonds may crop up in many different sectors, but franchise securitisations are a good example of them. There are few issuers in the franchise ABS sector and only a small number of deals outstanding, so it doesn't necessarily make sense for the major dealers to follow them – hence, they're very illiquid.

ES: One area we're focusing on at present is what I term

MVA: We're pretty unique in focusing on these types of assets, as well as being unique in having a deep bench of research expertise behind our offering. Typical brokers-dealers tend to only focus on one asset class, but we're aiming to provide relative value analysis across and between sectors because our client base does business in multiple sectors.

Q: How else do you differentiate yourself from your competitors?

MVA: All the big investment banks are value-added because of their balance sheet-based liquidity, but our competitive edge is that we offer value in terms of research-based educational liquidity. We're also conflict-free, which means we can serve both sides of the client base.



ES: We focus on products that are hard to value and hard to understand. Odeon employs several analysts that have structuring and rating experience – and can therefore educate clients where necessary – as well as modelling expertise.

Q: Which challenges/opportunities does the current environment bring to your business and how do you intend to manage them?

MVA: Whereas before the financial crisis hit liquidity chased places where investors felt they had to be invested, now they are being much more selective. A year ago, it was possible to buy almost anything and make money, but now investors need a solid thesis as to why they should invest. There has to be a reason beyond the yield, for example, in order for an investor to invest their money somewhere.

The new post-crisis landscape requires specific knowledge and good client relationships allow us to help clients take advantage of opportunities. Many investment opportunities may have great stories, but perhaps the

Mathew Van Alstyne

client doesn't have time to focus on these issues. We can both help clients manage these opportunities and, conversely, find opportunities for other investors.

However, we try hard not to think for our clients. Our aim is to help them make their own information-based investment decisions.

ES: The market is going through a very volatile period at present, but volatility creates opportunities and rewards for nimble investors. Many portfolio managers are reassessing their books and checking whether being in those positions still makes sense.

Volatility provides an opportunity to switch into different asset classes or ratings levels, for example. Some investors will want to create a different risk profile.

Risk assets have generally risen in value over the last year, typically accompanied by an increasing amount of fear about investing in them. The distressed story isn't as obvious as it was a year ago and so investors in this asset class need to know where to look. We offer the skills and tools to uncover and analyse these opportunities.

There are lots of start-up boutiques in the distressed space and banks are also beginning to have a capability in this area. But we're looking to ramp up and grow our business, both in the US and internationally. We expect to increase our research capabilities, for example, particularly around corporate and structured product research.

Q: What major developments do you need/expect from the market in the future?

MVA: A number of different aspects of legislation are being debated in the House and the Senate, which will obviously impact the market and corporate landscape going forward. There are so many moving pieces that we have to be extremely proactive in identifying value-added opportunities.

ES: Assets that we tend to like are secured, but we'll move with the market. As we see asset classes becoming more attractive, we'll expand into them.

Essentially, yield and structural/asset characteristics are what make an investment attractive. It is important to ensure that the worst-case downside risk isn't removed from the upside reward, but we try to be proactive in seeing these opportunities emerging and letting our clients know what we think.

For example, Europe is an area that many are obviously focusing on at the moment because of the sovereign issues. But opportunities are harder to find in the region for US-based boutiques and an area we'd like to focus on as our US client reach can help bridge that gap.

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