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Born: New York City

Lives: Manhattan, upper-west side

Education: Double-majored in finance and economics from the Stern School of Business at New York University

Fun fact: Lauren has four children, including identical twins

Favourite movie: Coming to America. There's nothing better than a 1980s film starring Eddie Murphy

Bucket list: Travel, starting with a wine tour across the south of France and Italy

Career: Lauren joined Octagon in 2001 as an analyst, going on to become a portfolio manager for CLOs, managed accounts and open-ended and closed-end credit funds.

Octagon: formed in 1994 by officials from Chemical Bank, the credit management arm spun off in 1999 as Octagon. In 2016, Conning acquired a majority stake in Octagon. Today it manages roughly $20 billion.

"Loan managers need an equity-like mindset instead of relying on docs

What was your first job in credit?

During my time in college I interned at Chase Bank, working in acquisition finance and getting a taste of the sell side. After I graduated, I joined Octagon in 2001 as an analyst, mainly focusing on technology and auto companies. Octagon was one of the early CLO managers and had just raised Octagon III. We recently closed Octagon 38.

What is the best investment in credit today?

I believe US CLO equity can offer great value for investors with a long horizon. Right now CLOs can lock in relatively cheap financing and, importantly, asset spreads appear to have stabilised for the first time in a long while.

What is the worst investment?

It has to be loans that are facing secular issues. There are some companies which have failed to embrace technology and face pressure on their earnings. Retail has often been cited as the sector that most loan investors fear, but that said, retail credits have been the best performing on a week-to-date, month-to-date and year-to-date basis.

I think it's a logistics story — companies that fail to adapt to technological advances will struggle. It's going to hurt their top line if they're unable to invest in the infrastructure of their businesses.

What was the best trade you ever made?

In the depths of the credit crisis we put together a fund that focused on CLO equity and were even able to buy an equity piece in the single-digits. Our models showed that we would only need a couple of distributions to break-even, but as the CLO market returned to health these CLO equity positions would also rally back to higher levels.

Looking back, that trade seems like a no-brainer but there were very few buyers of illiquid assets in 2008 and 2009. There was a lot of fear in the market. We'd spent a considerable amount of time analysing the numbers and it seemed to suggest CLO equity was being severely undervalued — but it was still a scary trade to execute.

What was the worst trade you ever made?

I've learned not to be over-reliant on a company's hard assets. During times of stress, the value of these assets can decrease meaningfully and if the refinancing market isn't open and they have to file for bankruptcy recoveries can be low.

Where is the market heading?

The talk right now is of some large LBOs flexing tighter. But loan spreads are still wider than they were in Q1. I'd predict that there is not likely to be a default spike over the very near term, absent a significant unpredicted market event.

A lot of the weaker credits that financed themselves before the crisis and failed to grow into their capital structures have already filed for bankruptcy. And of course a lot of oil credits have already been through their default cycle. We will probably see some defaults in retail, but not enough to meaningfully move the default rate up.

What is the biggest change that you would like to see in the industry?

I wouldn't be a credit manager if I didn't complain about the state of loan documents! It's not cov-lite terms that are the issue, it's the language around unrestricting subsidiaries and the issuance of pari passu debt that is most concerning.

It's disappointing and frustrating, but the situation is unlikely to improve. Realistically, I think credit managers have to adopt an equity-like mindset when analysing investments. We can no longer rely on the docs and instead have to make sure we get the credit right.

Where do you see future opportunities for your business in credit?

In the past couple of years, Octagon has been building out its structured credit business and one of the priorities for us is to continue to broaden this out and also to add other types of vehicles to our offerings.

We're below investment grade corporate credit specialists so we want to be able to invest in the asset class through a range of vehicles.