

Buyouts Beat - Five Questions With...

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FIVE QUESTIONS WITH...

1) Maria, you recently left Siguler Guff after starting and building up their distressed opportunities funds-of-funds business. Why launch your own firm?

This will be a decade of credits, and I've been studying credits for the prior decade. I wanted to create a platform to capitalize on the fallout from the financial crisis across many asset categories, such as corporate debt, residential mortgage debt, overleveraged financial institutions and overleveraged government balance sheets.

2) What does your partner, G2 Investment Group, bring to the table?

G2 provides broad-based market an industry expertise, as well as deal flow, across these same areas of credit that we focus on. Also it provides a global distribution platform in partnership with Forbes Capital Markets.

3) Turnaround firms don't seem to have had the bountiful opportunities to put money to work in the wake of the financial crisis that many people anticipated. What happened?

That happened due to a wide bid ask spread between buyers and the sellers. Distressed sellers have been able to hang on to their unrealistic expectations for the valuations of their businesses. The fact that banks have extended maturities on some of the debt has further exacerbated that issue. Right now, however, you do see activity picking up.

4) Where are the best opportunities for distressed investors right now?

The best opportunities to sell right now are in areas on the more liquid end of the spectrum, where prices have come up a lot. Where you want to be as a buyer is on the smaller side—smaller, nichier opportunities involving companies with capital structures of less than \$500 million. These smaller opportunities tend to be less efficient, and the high-yield market still remains relatively shut, or issuance would be very expensive.

5) What do you see ahead for the global economy?

I see a big overlevered world, and there's still more than a couple of trillion dollars in assets on balance sheets of financial institutions around the world, corporations and governments that have fundamental issues that will need to be resolved. They will need to be marked to market, which would necessitate dispositions. For the economy, I think we will have a slow and difficult recovery dragged down by all the non-performing assets that have not cleared through the system. Meantime, inflation is going to be a significant long-term threat—not immediately, not just yet, but it's creeping up. For instance, food prices in some of the urban areas of India are up 100 percent. And that trend is quickly spreading around the globe.

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