

2022 Outlook: Mega Pockets

THE LEAD | December 17, 2021

In April 2015 we introduced the concept of the “cargo-pants strategy.” For direct lenders to compete against banks for leveraged loans, they needed to hold larger commitments.

So managers raised CLOs, separate managed accounts, commingled funds, and BDCs to create loan storage pockets. They could then allocate large commitments across vehicles without any one holding an outsized position.

As pockets were added, hold sizes grew. At the same time, the development of the unitranche has given managers a competitive instrument to take share from loan arranging (not loan holding) banks.

?? Read Dec 6 2021 newsletter: [here](#)

?? Chart of the Week: [here](#) (by PDI)

(Any “forward-looking” information may include, among other things, projections, forecasts, estimates of market returns, and proposed or expected portfolio composition Past performance is no guarantee of future results. Investing involves risk; principal loss is possible.)