

# Distressed Debt Funds: Investment Opportunities

The arrival of COVID-19, on a global scale, has accelerated the economic business cycle and may create a larger pool of distressed debt that originally was projected for 2020. Investment funds that invest in distress credit, be it emerging market debt, corporate bonds, securities backed by commercial loans, and pools of commercial loans will see a larger pool of these credits being offered by different sellers. In the case of CIAC Consortium II LLC, co-founded and co-managed by Francisco De Armas, there are particularities that make it stand out from other larger credit funds. CIAC Consortium operates in a niche market where competition is scarce and local know-how of laws, regulations and the market are key to obtain the types of returns the Fund and its investment manager CIAC Corp has had over the past 6 years, says [Francisco de Armas Cubas](#).

## Why Distressed Debt Investing Makes Sense

Many of the world's largest distressed debt funds, both in Europe and the US, are raising capital at levels not seen since after the 2008 financial crisis in order to participate in the opportunities that will certainly be available in the 3<sup>rd</sup> and 4<sup>th</sup> quarter of 2020. These funds are seeing opportunities particularly in those sectors hit by the coronavirus pandemic like transportation, hospitality, and retail.

The reasoning behind distressed debt fund investing is simple: debt in troubled companies is available at deep discounts from sellers such as banks and hedge and private equity funds, and as markets recover post-pandemic, there is a significant chance that with a proper turn-around strategy prices will rise the debt acquired by the distressed debt fund ultimately producing a profit for investors. . Important factors are an increase in the price of acquisition due to competition among funds and lack of deep understanding of the market, underlying cashflow fundamentals, and collateral securing the debt. Niche players, such as CIAC Consortium and CIAC Corp have that advantage. See more by [Francisco J. De Armas](#) on debt management.