

"Why the switch to investing?" — The Deep-Dive Answer

Anchorage / Pat McGrath interview prep — Maxwell Nides Single-question focus: this is the most important narrative answer in the interview.

Why this question is the make-or-break

Pat McGrath made the EXACT same transition you're making — Moelis RX (advisory) → Anchorage (principal). He did it in 2016 after 5 years in advisory. **He has personally answered this question and he knows what a real answer sounds like vs. what a recruited-script sounds like.**

He's also heard the question answered hundreds of times by candidates he didn't hire. **What he's screening for is whether you've actually thought about the work — not whether you've polished a story.**

The bar is: an answer that could only come from someone who has done four years of RX advisory and is genuinely engaging with what investing is, not someone who decided to "go buy-side" and reverse-engineered a story.

THE PRIMARY ANSWER (~80 seconds, gold standard)

"The honest version is that I've spent four years on the analytical part of restructuring without ever owning the outcome. Two at Davis Polk drafting the credit agreements, the RSAs, the disclosure statements — the document is the record of what the capital structure decided. Two at Evercore building the recovery models, the waterfall, the liquidity runway — the math is the case for why one tranche wins and another loses.

Around year three, I noticed something. The questions I was spending the most time on weren't the ones that paid the fee. Where does value break under three different operating cases. Which tranche has the real optionality versus which one looks cheap but is structurally subordinated. What does the 18-month docket actually look like. Those are buy-side questions being asked from the wrong chair.

The frame I keep coming back to: advisory pays you to close. The success function is binary and it ends at signing. Credit investing pays you to be right — and being right in credit is asymmetric. You can't make more than par. You can lose 100. So the work isn't about reaching for yield; it's about whether the price compensates you for the downside you've actually underwritten, and whether the technical that pushed a

loan to 70 reflects something fundamental or just a CLO manager dumping a CCC bucket on a thin Wednesday. That distinction is the part of the work I find genuinely engaging.

What I'd be giving up is real — advisory breadth, repeatability, the cross-deal pattern recognition. But the math is that two years of advisory teaches you a thousand deals at a centimeter of depth. Two years of a buy-side RX seat teaches you ten deals at a kilometer. I want the kilometer."

Why this answer works — line by line

Opening — "the honest version"

This signals **you're going to give a real answer**, not a rehearsed one. McGrath has heard the rehearsed ones. The phrase resets his expectation.

"I've spent four years on the analytical part of restructuring without ever owning the outcome."

This is **the most important sentence in the answer**. It does three things at once: 1. Establishes credibility (four years of RX is substantive) 2. Names what's missing (ownership of outcome — without using the cliché "skin in the game") 3. Sets up the structural argument that follows

The Davis Polk → Evercore framing

"The document is the record of what the capital structure decided. The math is the case for why one tranche wins and another loses."

This shows you understand that **the legal and financial sides are about the same underlying object** — the cap structure. You're not "a lawyer who learned finance"; you've worked the same problem from two angles. **This is the inverse-complement frame for Pat (non-lawyer, financial/analytical) without saying it overtly.**

The pivot moment — "around year three"

"I noticed something. The questions I was spending the most time on weren't the ones that paid the fee."

This is the credibility moment. **You're naming a specific time when you realized something specific**. Not "I always wanted to." Not "I came to a decision." A concrete observation that any good advisor would recognize.

The three questions you list are real buy-side questions: - "Where does value break under three operating cases" — the recovery analysis - "Which tranche has real optionality vs structurally subordinated" — the fulcrum question - "What does the 18-month docket actually look like" — the post-petition path

McGrath will recognize these as the questions HE asks every day. That recognition is the answer to "is this candidate already thinking like an investor."

The intellectual anchor — credit asymmetry

"Advisory pays you to close. The success function is binary and it ends at signing. Credit investing pays you to be right — and being right in credit is asymmetric. You can't make more than par. You can lose 100."

This is **the only place in the answer that articulates an investment philosophy**. Keep it focused. The credit-asymmetry frame (capped upside, full downside) is genuinely important — it's the reason credit investing is different from equity investing, and the reason **discipline matters more than insight** in credit. Marks talks about this. Sheila Bair talks about this. Mark Spitznagel (different style) talks about this. It's a real intellectual anchor.

Crucially: only one philosophy quote. Don't name-drop Marks, Apollo, CFA Institute, etc. in this answer — that comes later in the conversation if asked "what have you been reading." Here, the work is to deploy the framework, not show your reading list.

The technical-vs-fundamental example

"...whether the technical that pushed a loan to 70 reflects something fundamental or just a CLO manager dumping a CCC bucket on a thin Wednesday."

This is **the line that lands the credit-investor identity**. It signals you understand that: - CLO mechanics are a real driver of dislocation - "Technical vs fundamental" is the way real credit investors think - The structural opportunities Anchorage exploits are exactly this kind

It's also dryly specific — "a thin Wednesday" — which sounds like someone who's actually thought about it, not someone reciting talking points.

The acknowledgment

"What I'd be giving up is real — advisory breadth, repeatability, the cross-deal pattern recognition."

This is the credibility test. **Every great answer to a career-pivot question acknowledges what you're losing.** It signals self-awareness and that you're not romanticizing the move. McGrath will notice if you skip this.

The landing line

"Two years of advisory teaches you a thousand deals at a centimeter of depth. Two years of a buy-side RX seat teaches you ten deals at a kilometer. I want the kilometer."

This is the memorable line. **The interviewer remembers one phrase from each candidate** — this is yours. It's specific (numbers), structural (a real difference between advisory and buy-side), and lands on a clean statement of preference ("I want the kilometer").

SHORTER VERSION — 45 seconds (if the conversation is rapid or this comes mid-flow)

"Around year three at Evercore I noticed the questions I was spending the most time on weren't the ones that paid the fee. Where does value break across operating cases. Which tranche has the real optionality. What does the 18-month docket actually look like. Those are buy-side questions being asked from the wrong chair.

Advisory pays you to close — the success function is binary and ends at signing. Credit investing pays you to be right, and right in credit is asymmetric: you can't beat par, you can lose 100. So the work isn't about reaching for yield, it's about whether the price compensates you for the downside. That's the work I've been doing in my head while building someone else's deck. I'd rather do it from a seat where it counts."

LONGER VERSION — 2 minutes (if Pat opens the door with "tell me more")

Add this paragraph **before the acknowledgment**:

"The piece that sealed it for me is what credit actually rewards versus equity. In equities you can be right about a company and ride it from 20 to 200. In credit the geometry is flipped — your best outcome is par plus coupon, and your worst is zero. That asymmetry is the reason discipline matters more than insight in this business: you can't win the bad ones, you can only avoid them. I've come to think the work I want to be doing is structurally about underwriting downside and pricing path — what's already in the price, what has to go right, what controls the process, where the technical bid will fail you. The advisor's job is to close the trade. The investor's job is to live with whether the assumptions held. I'd rather be exposed to the second question."

Then continue with the acknowledgment + landing line.

VARIANT — THE "PERSONAL MOMENT" VERSION (if rapport is good)

Some interviewers respond better to a specific deal moment than to structural reasoning. If McGrath asks the question in a casual / personal way, consider:

"There's a moment — and I think every advisor who eventually goes buyside has it — where you stop describing the deal as 'we recommended X' and start describing it as 'I would have done Y.' Mine happened during [a specific Evercore engagement]. I was modeling the recovery waterfall, and I realized that the question my MD wanted answered was 'how do we get this fee closed.' The question I wanted answered was 'where would I have wanted to be positioned in this stack and why.' I kept building both in parallel, and the second one was where my mind actually was.

I've spent four years training for that second question without being allowed to answer it. The law side at Davis Polk taught me to read what the documents actually allow. The banking side at Evercore taught me to model what the capital structure produces. The missing piece is the third one: taking the view and living with it for two to four years. That's only available here, and credit is the place where being right matters more than being clever, and where the asymmetry forces you to think the way the best advisors only think when they're playing. I'd like to play."

When to use this version: if McGrath asks the question conversationally late in the interview, or after you've already established the technical baseline. Don't lead with it in a structured "tell me about yourself" — too narrative-heavy without setup.

HANDLING THE FOLLOW-UP QUESTIONS

Pat will almost certainly probe. Here are the likely follow-ups and how to handle each:

Follow-up A: "But why not go to a Big-3 banker — Lazard, Houlihan, PJT — and keep optionality?"

"That was a real consideration. Lateralizing within RX advisory was the path of least resistance, and it would have given me another ten deals of breadth. The reason I didn't is that the work I actually find engaging is investor work, not advisor work. Moving to another bank gets me more reps at the same role. Moving to your desk gets me access to the seat I've been thinking from for three years. I'd rather take the harder transition now while my training is still translating cleanly — the LME wave I'm trained on will have

evolved past the doc-mechanics phase in five years, and I want to be in the seat where that translation happens."

Follow-up B: "What about a fund where you'd have a longer training runway — Oaktree, Centerbridge?"

"The platform shape is what drew me here specifically. Anchorage at \$27B with under 25 investment professionals means a senior associate actually owns names rather than supporting a coverage MD on names. The smaller-cap-complexity mandate in ACO IX — you closed at \$1.5B over a \$1.25B hard cap — is exactly the lane where legal documentation and structural analysis is the alpha. On a \$10B+ fund chasing the same syndicated names everyone else is in, the doc-mechanics layer I trained on isn't where the edge lives. Here, it is."

Follow-up C: "Why now? Why not three years from now after VP at Evercore?"

"Two reasons. First, the work I'm trained on translates best now. The LME wave I learned at Davis Polk (2022-2024) and modeled at Evercore (2024-present) is the current vintage — Serta and Mitel are still settling. In three years, the docs will have evolved past the trap-door era I was raised in, and a candidate making this jump will be coming in with a different set of muscles. Second, the longer I stay in advisory, the more I optimize for advisor metrics — relationships, deal count, pitch wins — and the less I optimize for investor metrics — conviction sizing, hold-period discipline, downside underwriting. Those skills atrophy if you don't switch them on. I'd rather make the switch while the translation is still live."

Follow-up D (the hardest): "What if you find you don't like it? Investing can be lonely."

"It's a fair question. I've spent enough time around the people who do this well — through Davis Polk's restructuring practice and Evercore's debt advisory group — to have a sense of the texture of the work. I know it's quieter than advisory. I know there are days where you're alone with a credit agreement at 11pm trying to figure out whether a basket stacks. I know the feedback loop is two years long instead of two months. I also know that the questions I find most engaging are the ones that the work consists of. The risk that I end up disliking it isn't zero, but the bigger risk I'm avoiding is staying in advisory for three more years and ending up in a less translatable seat. The translation cost is highest now."

Follow-up E: "What did you actually do at Davis Polk that prepared you for this?"

This is the technical follow-up — answer with **one specific deal**. Pick the one that maps best to Anchorage's style:

"The most relevant work was on liability management engagements where I drafted the actual documents — DIP credit agreements, RSAs, intercreditor agreements. Specifically, on [deal X] I was responsible for [Y] — I learned how the open-market-purchase carve-out is drafted, how the unrestricted sub waterfall actually permits or blocks asset transfers, where the sacred rights live. When I moved to Evercore, I came at the same problems from the modeling side — building the recovery waterfall, the liquidity case, the cap structure for the recap proposal. The synthesis is that I know what the docs say and what the math produces. The third piece, which is taking a view, is what I'm here for."

(Note: you'll fill in the actual deal name. The structure is more important than the specifics — the message is "I've worked the same problem from two sides and the third side is the investor seat.")

WHAT NOT TO SAY

× **"I want to be a principal."** Cliché. Triggers eye-roll. × **"I want skin in the game."** Same. × **"I want my own ideas to make money."** Vague + slightly arrogant. × **"I'm tired of advisory."** Sounds like burnout / running from. × **"I want to learn from the best."** Sycophantic and content-free. × **"I want a longer-term seat."** Too generic — every banker says it. × **"I want to bet on my analysis."** Same family as "principal" — clichéd. × **"I'm interested in the buy-side."** Tautological. × **"I love capital structures."** Vague and unactionable.

The mistake of over-quoting

Do NOT in this answer: - Name-drop Howard Marks - Reference Apollo's maturity-wall research - Quote CFA Institute - Cite specific books

Those go in the "what have you been reading" answer, which is a different question. If you stuff them into "why investing," you sound rehearsed and like you're trying too hard. The intellectual frame should be **deployed** in this answer (the credit-asymmetry point), not **cited**.

If McGrath asks "what's shaped your thinking on credit investing" or "what have you been reading" — then the reading list comes out. They're separate questions.

DELIVERY NOTES

- **Pace yourself.** This answer is 75-90 seconds at a measured pace. Resist the urge to compress it — the rhythm matters. The pivot at "around year three" should land with a pause.
 - **The "thousand deals at a centimeter / ten deals at a kilometer" line** is your closer. Slow down for it. Let it sit.
 - **Eye contact at the acknowledgment** ("what I'd be giving up is real"). This is where you signal honesty. Don't look away.
 - **Don't ask for follow-up after.** Let the answer land. If Pat wants to probe, he will. Filling silence weakens it.
 - **Practice it once out loud** in the 24h before. Not memorized — internalized. The structure stays; the phrasing flexes to the moment.
-

THE STRUCTURAL TEMPLATE — TO REMEMBER UNDER PRESSURE

If everything else falls out of your head, remember the 5-beat structure:

1. **Honest version setup** — "I've spent X years on the analytical part of restructuring without ever owning the outcome"
2. **The pivot moment** — "Around year three, I noticed the questions I was spending the most time on weren't the ones that paid the fee"
3. **The intellectual anchor** — "Credit investing pays you to be right, and right in credit is asymmetric"
4. **The acknowledgment** — "What I'd be giving up is real"
5. **The landing line** — "thousand deals at a centimeter / ten at a kilometer / I want the kilometer"

Anchor on those 5 beats and you can rebuild the answer fluently in any direction.

ONE FINAL FRAME — FOR INTERNAL REFERENCE

The reason this answer works for **Pat McGrath specifically** is that he made the same move (Moelis → Anchorage) and **the structural argument you're making is the one he validated with his own career**. He went advisor → principal in 2016. He's now Global Head and ACO IC voting member. He's lived the experiment.

You're not asking him to bet on a thesis he hasn't tested. You're asking him to back the same thesis that worked for him. That's the deepest level of "why your desk" — the answer that works because **his career is the existence proof.**

You shouldn't say that. But you should know it.