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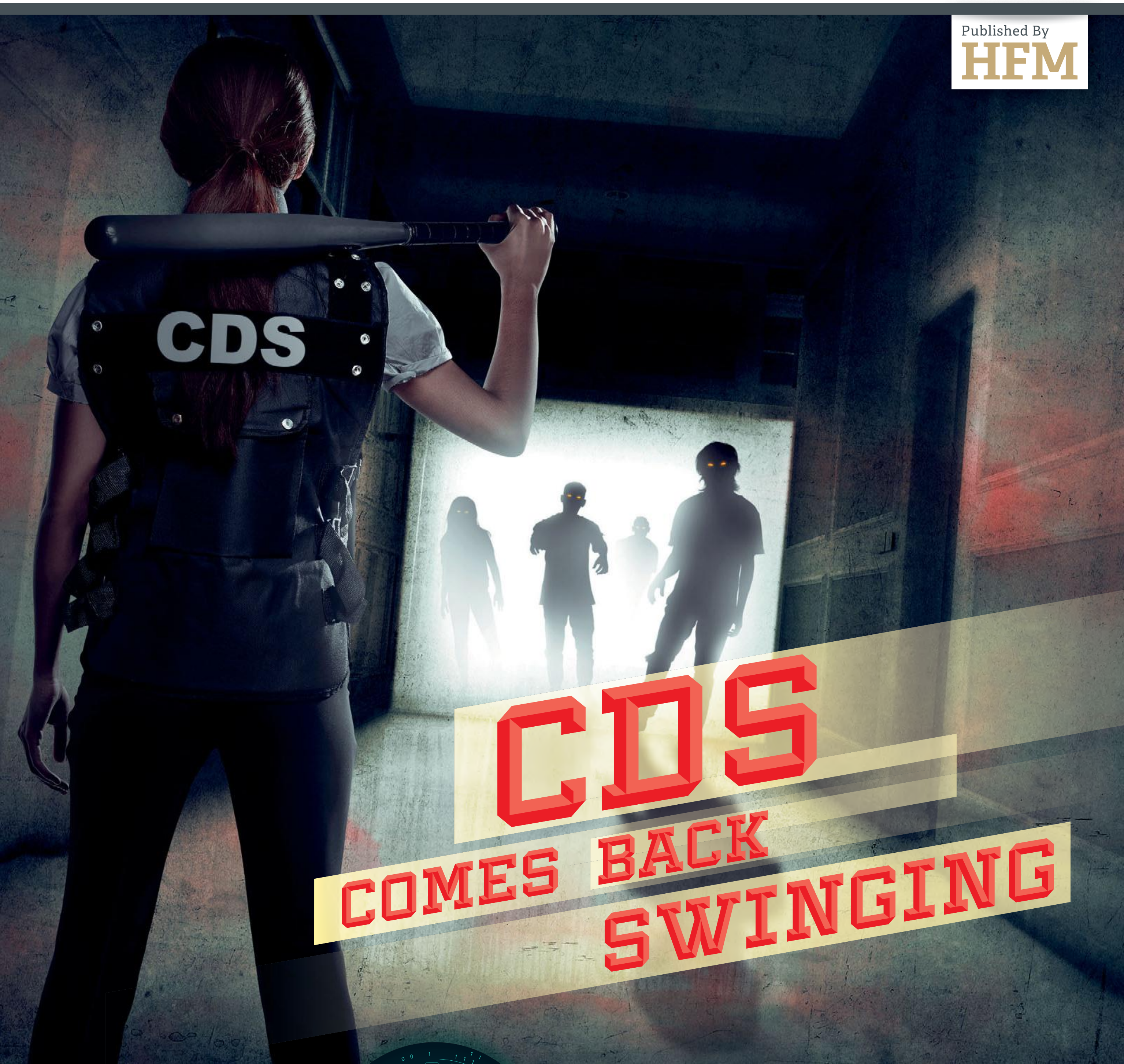
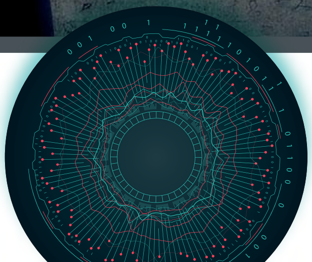


SHINING STAR
Northlight steers funds to strong 2018



COMPUTING CREDIT
First big data, now alt data

LIFE AFTER LIBOR
DealVector on looming Libor switch

The CDS market doesn't have a great reputation

The CDS market doesn't have a great reputation

Michael Lewis, John Stewart, and now the Pope have taken aim at the financial product.

Alt Credit is no place for theological and moral questions of this depth. But it is the place to discuss the recent controversies in the market, and what the real problem is: liquidity.

The good news is that CDS is actually on the up in many senses, its regulators are making progress on some sticky problems, and liquidity is improving.

We also take a look at the volumes of data now available to credit managers. Technological advances and a spirit of openness has allowed ABS and MBS managers in particular to move from ploughing through documents to building models and hypotheses. But how far into the data can and should they go?

> "The CDS trades which hedge fund managers are putting on have become simpler, focusing on single names and indices"
> **Ed PArker, Mayer Brown, page 05**

Derivatives were the talk of the town in May. The town in question being the Vatican City. Events just outside the Holy See also conspired for an interesting CDS story as Italy roiled markets. Briefly.

CLO markets continued to plough ahead in the month, but worries about the collateral are mounting. Managers have pointed to Ebitda adjustments as a particular bugbear in loan documentation.

DealVector has highlighted one of the problems all parts of the CLO market and structured finance markets face: poor communication lines. The expected phase out of Libor is set to emphasise that problem. Luckily, technology can help.

A move away from QE could be even more painful for markets. BlueBay describes how it plans for the future.

As you read this I will be cycling my way through France and probably already very sore and wheezing my way up a mountain. There's still time to donate to a great cause in Duchenne UK by visiting Virginmoneygiving.com and by searching for HFM Wheelers.

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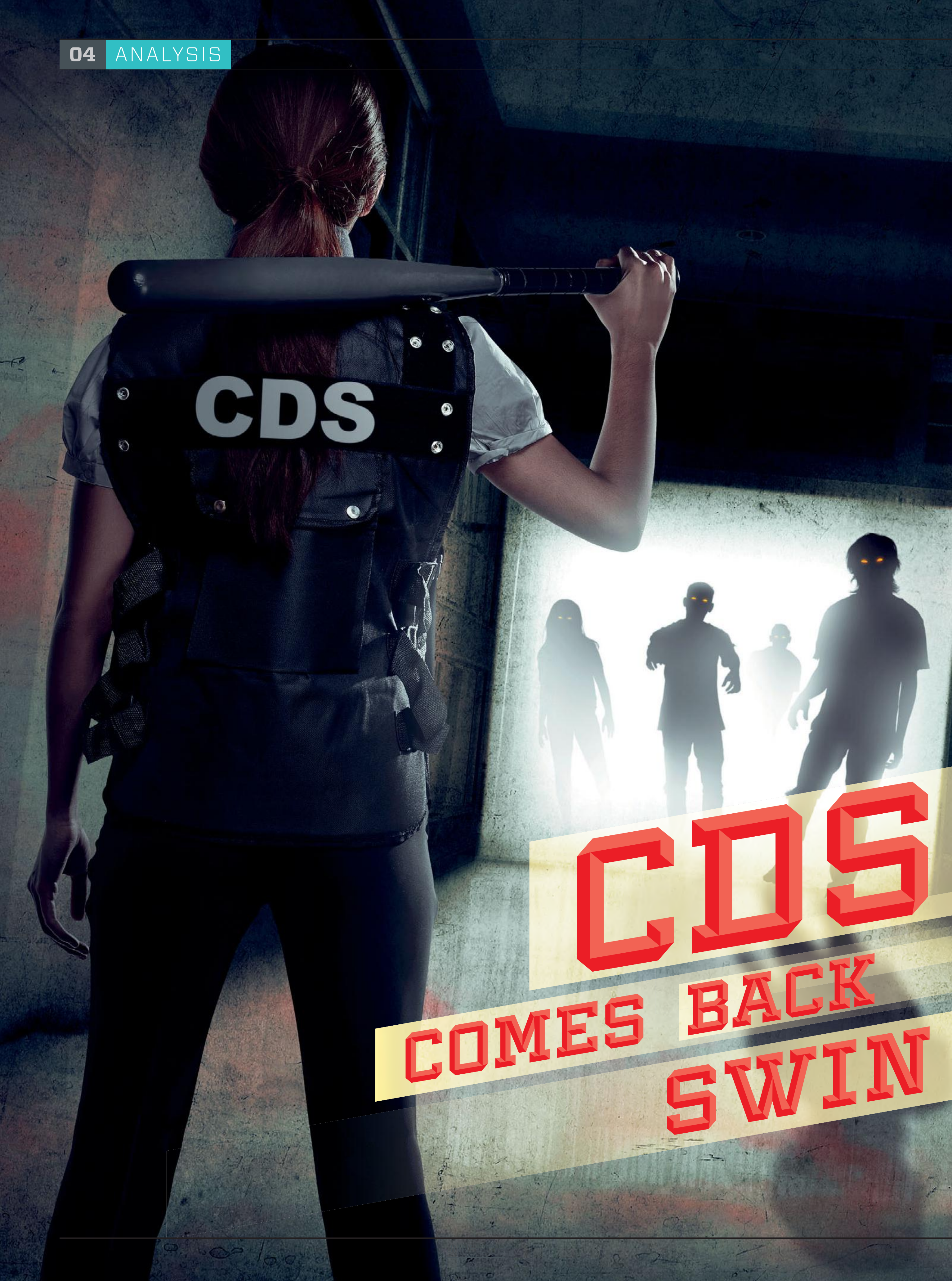
THIS ISSUE

ANALYSIS

COMMENT

DATA



CDS COMES BACK SWIN

The CDS markets have taken a battering recently, despite some significant improvements

By Jon Close

The CDS industry has come under attack from no less than the Pope, while its latest controversies have moved to the front pages of the popular press. Meanwhile within the industry, Isda has been dealing with a mountain of issues ranging from new bank structures, missing financial documents, uncertainty over some of its largest sovereign names and managers trying to play its decisions.

The biggest problem the market has faced, however, is declining popularity.

But the industry is fighting back.

Isda has successfully implemented some common-sense reforms and the organisation is making noises that it will continue to update its framework. The CFTC lent a hand to nudge bad actors into line. Meanwhile, volatility and new structures are breathing life back into the single name market.

Volumes are back (for some)

Numerous sources told us that the biggest push back they got back from investors and managers wasn't the bad press, or the headline trades – but that the product wasn't liquid enough.

> The return of volatility, since February, coupled with the demand from bespokes has meant there has been a much healthier two-way market in CDS in general"
> **David Meneret, Mill Hill Capital**

But volumes in CDS index trading have actually kept up relatively well after the dust settled from the financial crisis, and European sovereign crises.

"If you want to add or remove credit risk from a credit portfolio, there aren't really any other products that are sufficiently close to the asset and have sufficient liquidity," says Ulf Erlandsson, CIO at Strukturinvest.

"From an analytics standpoint, CDS indices are very clean," adds Erlandsson, "When you start doing an ETF or a TRS, you have to do lot more analysis on the weighted credit spreads, duration on the underlying bonds, the whole bond curve." he adds.

"Ironically, in many ways the CDS trades which hedge fund managers are putting on have become simpler, focusing on single names and indices," says Edmund Parker, global head of derive at Mayer Brown in London. "Whereas before 2007 they were often focused on products like CDOs of ABS, basket trades and exotic products like CDO squared."

Single names

Single name CDS has been a different story. Investors have rarely felt the need to hedge individual bond positions in recent years, and liquidity has been driven by indices.

A number of proposals, led by IHS Markit, have sought to address this in the last few years, with mixed results.

Increasing the number of issuers in the high yield indices had limited success, they have rarely held on to the extra liquidity once out of the index.

Another change has been much more warmly received by markets. Single name CDS switched from a quarterly to a semi-annual roll. "The move to two annual rolls a year has also helped to improve liquidity, it makes much more sense to roll along with the index," says Erlandsson.

CSO 2.0

The biggest factor improving single name liquidity, has been the re-emergence of the bespoke CDO (or CSO) market.

These deals comprise pools of typically around 100 issuers, with investors selling protection against tranches of the risk in the pools.

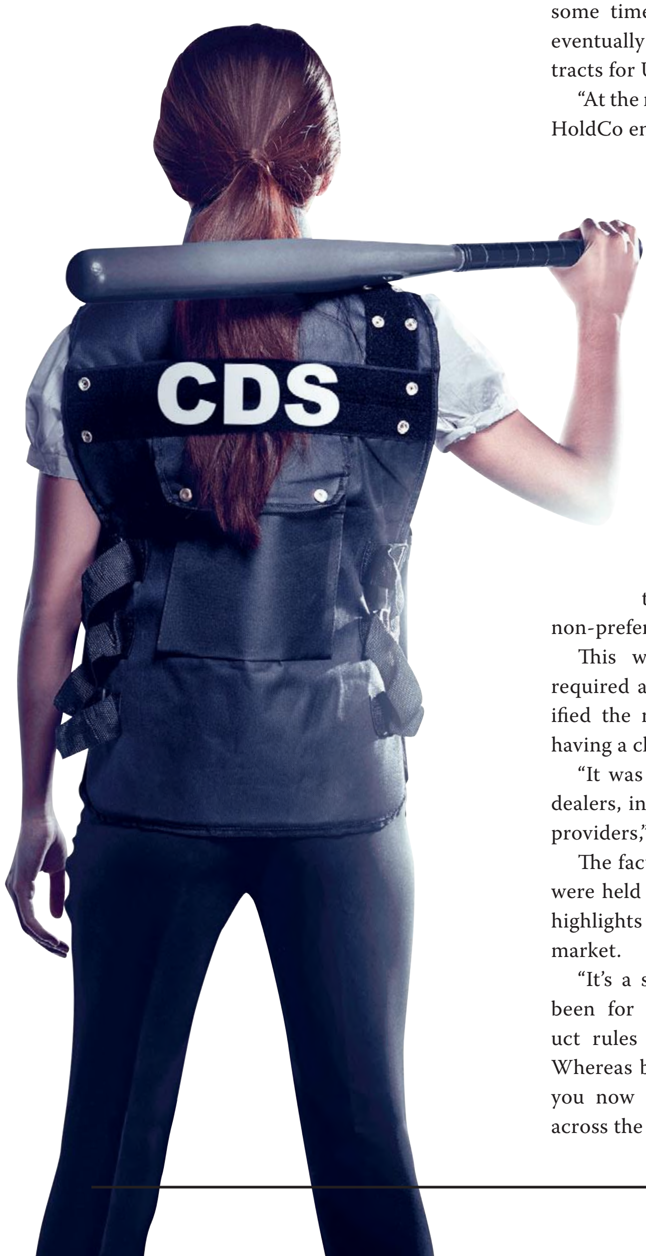
"The banks are intermediating between these structures and the markets, and so we're now seeing CDS B-wics of banks requesting bids for protection on the names in the bespoke structures," says Mill Hill Capital CIO David Meneret.

"The return of volatility, since February, coupled with the demand from bespokes has meant there has been a much healthier two-way market in CDS in general."

Deals such as these also came under a lot of criticism post-crisis, not least because they involved a lot of leverage. But 'CSO 2.0s' have some key differences to their pre-crisis brethren.

"Pre-crisis you could be levered as high as 200 times on some AAA tranches; the most leverage you could potentially do now would be 80 times," adds Meneret. "But, I literally don't know anybody who is using that much leverage."

Another key difference is that banks are selling the whole capital structure of these deals, and only executing the trades once both sides of all the contracts have been found, leaving little risk on their own balance sheets.



That said, the extra liquidity these deals – and the increased activity in the indices – brings is limited to the names involved.

"The names that are actively traded in the high yield space in bespokes and indices are liquid, but liquidity outside those names is dropping," says Meneret.

Banks: Where the real action happened

European banks had been one of the most liquid areas of the market, especially after naked buying of protection against sovereigns was banned, and managers began using banks as proxies.

But under the various capital requirement regimes coming from Europe, banks have been continuously updating their capital structures, adding new layers at the top and bottom, and CDS markets have been scrambling to keep up.

UK banks created a new senior HoldCo entity to issue senior debt, and while it took some time, CDS against these new entities eventually became the more liquid senior contracts for UK banks.

"At the roll in September 2017 we added the HoldCo entities as the reference entity for UK names in the index, and we're now seeing those as the most liquid entity in the capital structure. We're seeing liquidity in both the hold co and the OpCo." says Gavan Nolan, a director in business development and research, fixed income pricing at IHS Markit. French banks went down a different route to solve the same problem.

"Since the last index roll we now have the three French banks included at what we call the SNRLAC tier, which reflects the fact that they're issuing senior non-preferred debt," says Nolan.

This was a more complex issue as it required a new kind of contract which specified the new tier of securities, rather than having a clean new entity to reference.

"It was a discussion at Isda level between dealers, investors, vendors and infrastructure providers," says Nolan.

The fact that these multilateral discussions were held before a contract was even written highlights the growing maturity of the CDS market.

"It's a standardised product now and has been for some time, with input for product rules from both dealers and investors. Whereas before it was dominated by dealers, you now get a much more holistic picture across the end users," says Nolan.

A Noble privacy

One area which shows little sign of movement is in Isda's need for documentation to be public in order for it to make a decision. This came to a head recently by Noble, whereby Isda couldn't prove that a subsidiary had a guarantee to the parent company.

"If something goes wrong at the company, a hedge fund which may have a CDS position, and knows something's happened, can't put it in front of the determinations committee because the agreements aren't public," says Parker. "Whatever the truth of the matter is, it can only be judged on publicly available information. There are some tools available, but there are still times that you can't get the information out there."

Italy

Italy also recently highlighted another potential for an issuer to not be quite as protected as investors might hope.

The rise of populist parties to power briefly sent bond yields and CDS spreads soaring, especially as there was initially a risk of redenomination if Italy chose to abruptly drop the euro as its currency.

This raised an interesting question for the CDS lawyers, as there are currently two sets of CDS definitions, which treat redenomination differently.

As spreads blew out on Italy, a gap opened out between 2014 CDS and 2003 CDS, as traders believed that the 2003 wouldn't trigger if Italy left the eurozone. IHS Markit's Nolan felt compelled to take to blogging, in a post that concluded: "In short, if the Italian government were to quit the euro, 2014 definition CDS contracts would be more likely to default than 2003 definition, but it isn't quite that straightforward."

It appears that corporates are more likely to feel this sharply, and this question is becoming increasingly moot, as 2003 contracts become increasingly rare, and calm has returned to the market.

The GSO trade

One trade in particular has brought CDS protection to the attention of commentators and pundits: GSO's recent attempts to trigger contracts on New Jersey-headquartered construction firm Hovnanian.

Under a deal, Hovnanian would trigger CDS in exchange for cheap financing from GSO.

GSO pulled a similar move in 2013 with Spanish gaming company Codere, with outrage even reaching HBO programme *The Daily Show*. But this time it's different.

Solus Alternative Asset Management, a

seller of the CDS, immediately took to the courts. A federal district judge could not prevent the trade from going ahead. Instead, it laid the blame at the feet of Isda's determinations committee (DC), which decides when a CDS has been triggered.

But then the CFTC got involved, saying that it was looking into the question of whether engineered defaults could be classed as market manipulation.

After initially rejecting several calls to act, Isda launched a consultation over narrowing its definitions of default in order to prevent such trades.

Goldman Sachs found itself facing off against GSO but backed out and unwound its positions. Later both GSO and Solus threatened to squeeze the other's position as the situation looked set to escalate.

But, just as *Alt Credit* was preparing to go to press, news broke that GSO and Hovnanian had settled their dispute. "We are pleased that Hovnanian CDS will now reflect the actual creditworthiness of the company," said Chris Pucillo, chief executive officer of Solus.

> There are technical aspects to the CDS market, and you need to be an adult about that and go in with your eyes open"
> **Ulf Erlandsson, Strukturinvest**

Akshay Shah, the mastermind behind this strategy (and the scourge of many trading desks), has left the firm and registered his own company, Kyma Capital, according to UK Companies House filings. While this may give him more of a free rein to pursue even more of these trades, it's unlikely that Shah will have the kind of firepower than available at GSO, and fewer levers to pull (for now at least).

Hovnanian shouldn't be a surprise

While many of the managers which spoke to *Alt Credit* were frustrated that the case had raised fresh questions about the product, it didn't change their outlook on the product as a whole.

Hovnanian was also a distressed debt situation where reading the loan, bond and CDS documentation thoroughly, and fighting their cases in court, is par for the course.

"Accidents happen, and you don't want to be on the wrong side of something like Hovnanian. But accidents happen in the bond market too. Just think of SNS or BESPL," says Erlandsson. "There are technical aspects to the CDS market, and you need to be an adult about that and go in with your eyes open."

"GSO is really a very 'idiosyncratic' risk and should not act as a template for others," says Jochen Felsenheimer, co-founder of Munich-based Xaia, but argues that the continuing functioning of the CDS market requires a functioning of the 'insurance principle'. "Therefore, it is a must for the Isda to solve such 'situations' to strengthen the CDS market."

Existential threats

But the case still opened CDS up to an existential crisis; and when the Pope takes aim at an industry, the questions about its viability become even more existential.

The Vatican released a document which referred to CDS as a ticking time bomb, bemoaning the "ethical void which becomes more serious as these products are negotiated on the so-called markets with less regulation (over the counter) and are exposed more to the markets regulated by chance, if not by fraud, and thus take away vital lifelines and investments to the real economy."

This isn't the first high profile criticism of CDS, and the wording largely echoes Warren Buffett's comments that CDS contracts were weapons of mass destruction. In recent years, The Big Short and the 2011 "London Whale" scandal also kept the product high on the list of financial bogeymen.

The crux of this criticism was highlighted by the Pope, who claimed that CDS was "gambling on the failure of others" seeing the product as simply a shorting tool. This ignores the fact that many on the buy-side use the product to go long; by definition, the nominal value of CDS trades in existence is always a balance of long and shorts.

CDS therefore serves two purposes, firstly, to allow risk to be transferred to those most able to bear it. Secondly, it also allows for a more liquid and rational market. "CDS creates some price discovery," says Mill Hill's Meneret. Credit markets are not nearly as liquid as equities, and price discovery can be very problematic. For example, many bonds are held by mandate-driven funds, which means price discovery can be lacking.

"There is no doubt in scientific literature that the efficiency of a market segment is supported by the existence of derivatives instruments and especially hedging tools," says Xaia's Felsenheimer. "This is true for equities, commodities and for credits"

Things are clearly changing

One takeaway is that timing is everything in this market. The Hovnanian settlement and the fast-moving events in Italy put the entire market in a different place, just as this issue was preparing to go to press.

But more generally the CDS is constantly evolving, "The first set of materials produced by Isda was 18 pages long. Now, with all the different rules; the definitions, auction settlement rules, DC rules, its 230 pages," says Parker, "We've seen from equity derivatives markets, that developments need to be done over time as an evolution. 2014 definitions aren't the last set of definitions you'll see, I wouldn't be surprised to see 2022 definitions."

Erlandsson's Glacier Impact fund would like to evolve it further, the extra liquidity CDS allows could pave the way for a more environmentally friendly way of managing credit risk.

"We can take a CDS index, and buy protection or underweight on the 'brownest' names, and sell protection or overweight on the greenest names, using the ECOBAR framework as an optimisation engine for finding the weights that 'green up' the portfolio the most while keeping the tracking error low."

Gaining access

All this is well and good, but accessing the market has become more of a patchwork. The move from bilateral Isda agreements with funds and dealer to central clearing parties is still only partial, particularly for single names. Meanwhile dealers are shifting their thinking on the viability of trading the product, quickly building and closing franchises. This pushes the market towards the biggest dealers, as they remain the only constants, and bigger funds, as they're top of the list for new desks to gain as clients.

"After Mifid II, Banks have been much less willing to take on a new client to trade CDS bilaterally unless they have a particularly big wallet," says Erlandsson.

Jon Close
Head of content, *Alt Credit*

From big data to alternative data:

finding an edge in credit investing

Alt Credit talks to managers and vendors taking advantage of the exponential growth of data science techniques, and applying them to credit investments

By James Harvey

Despite having become the subject of reams of buzzword-laden drivel in recent years, 'big data' is at heart a simple concept.

As computing power and storage ability have increased, datasets have become so large that traditional computational tools are inadequate to process them. More recently, the term has come to encompass analytical techniques applied to these datasets. And, like the term itself, the principles behind big data analytics are long established.

In a recent letter to investors, London-based credit investment firm WyeTree Asset Management reflected on the founding of life insurer Scottish Widows by Alexander Webster and Robert Wallace in 1744. The letter notes that the pair, using Jacob Bernoulli's 'Law of Large Numbers', were able to project death rates, required premiums, and their fund's value over a 20-year period with a remarkable degree of accuracy.

"It's interesting to note that while other areas of science have changed a lot over time, statistics hasn't changed much in principle," says Judith Sciamma, CIO at London-based WyeTree Asset Management. "Instead, what has changed is the magnitude of data available, and the computing power available to process it."

Big data has proven to be a very powerful addition to credit hedge funds' arsenals – particularly for managers investing in structured credit. But, in keeping with Moore's Law, technological improvements mean it is a tool that has now become very widely available – prompting credit managers to look further afield to gain an edge.

Big data in structured credit

While complex credit instruments – such as MBS and ABS – have always been backed by several thousand assets, it was not until the aftermath of the financial crisis that loan-level information became widely available.

In 2013, the Federal Housing Finance Agency directed Fannie Mae and Freddie Mac to begin publishing loan-level data for agency mortgages, dating back to 1999. And in the years following the crisis, non-agency mortgage data has also become more accessible.

Sciamma says investors can buy vast data sets containing loan-level mortgage data, containing millions of lines of static and dynamic data. Static data includes zip, Fico scores at issuance, loan-to-value, and mortgage size, while dynamic data tracks continuing information, such as whether the borrower has been paying, or any modifications to the loan.

The challenge for investors is to clean these vast data sets up – there is often a lot of noise, such as misplaced decimal points in interest rates – before applying proprietary algorithms to project future cashflows and value an MBS tranche.

"10 years on from the financial crisis, ABS is still seen as a very risky asset class. But we can now use data science techniques to model cashflows surprisingly accurately," says Sciamma.

One firm that has quietly built a presence in this area is Stamford, Connecticut-based data miner Webbs Hill, which is led by former RBS mortgage traders Scott Gimpel and Dan O'Connor. Founded in 2014, the firm offers four products with varying levels of historical data on the non-agency RMBS market, including a fully-managed data analytics platform based on Amazon Web Services' Redshift database.

And, perhaps following the example of the MBS market, other areas of credit – notably the growing peer-to-peer lending market – have begun to move in a similar direction.

"When we were at RBS in 2005 and 2006, the bank had a technology budget that dwarfed those of most hedge funds, but the simple fact is that today's processing power didn't exist," he says. "Even as a two-person firm, we have more computing power at our disposal than the major banks did 10 years ago."

O'Connor agrees with this assessment. "Data analysis that used to take us 10 to 20 hours to run as MBS traders before the crisis can be finished in minutes today," he says.

One New York-based structured credit trader told *Alt Credit* that his setup involves the use of up to 40 side-by-side CPUs, shortening data processing times exponentially and allowing for widespread use of big data in RMBS trading.

At the same time, hedge fund compliance departments have become more comfortable with cloud-based databases, rather than wanting to keep everything in-house.

"It has taken a while to get compliance departments to accept cloud computing, but we are finding that more institutions are adopting the technology now," says Gimpel. "The simple fact of the matter is that Microsoft, Amazon or Google's cyber-security will always dwarf that of financial services firms' internal systems, since these are the firms attracting the best tech talent right now."

> "The evolution of cloud computing, improvements in AI technology and the continued growth of alternative data represent a massive opportunity for credit investment strategies"
> **Andrew Eisen, IHS Markit**

Eugene Lee, COO and CFO of marketplace lending hedge fund startup Digital Mosaic Capital, notes that most of the major peer-to-peer lending platforms now make loan-level data directly available, meaning funds no longer have to pay large sums for data from credit reporting firms.

"Access to big data in the lending space was previously only possible for investors who could afford several hundred thousand dollars per year for an Equifax subscription – which ruled out almost all smaller funds," Lee explains.

And since 2013, firms including dv01, Orchard Platform and PeerIQ have offered centralised analytics platforms allowing investors to dig into whole loans and marketplace lending securitisations.

Computing power, the cloud, and compliance concerns

While big data techniques have existed for some time, it is only recently that they have become accessible to typical credit hedge funds, rather than remaining the preserve of large investment banks. Webbs Hill's Gimpel says that a key driver of this proliferation has been the rapid increase in computing power since the crisis.

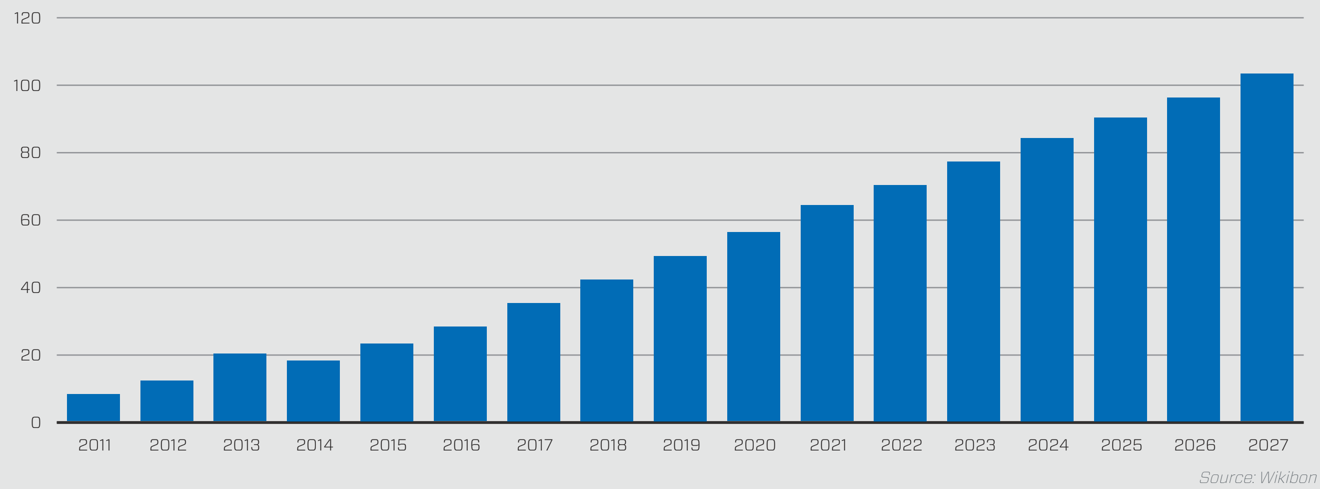
Gimpel adds that big data analytics platforms such as Amazon Web Services of Microsoft Azure do not store sensitive information about the funds themselves, making it easier to persuade CCOs to sign off on cloud technology.

Of course, the increasing availability of big data techniques inevitably means that their power will become increasingly limited. What used to be a competitive advantage for larger funds is now a must-have tool in an increasingly level playing field between funds.

While every fund now has specialist data scientists trying to gain an extra sliver of advantage by refining their data-cleaning algorithms, for instance, the ultimate uses of loan-level data do not vary that much between firms.

"Ultimately, most firms run a fairly standard set of assumptions for modelling cashflows," says O'Connor.

Big data market worldwide revenue forecast, 2011-2027 ($bn)



The rise of alternative data

With this in mind, the question for credit managers becomes how to eke out that extra advantage over competitors who already have access to loan-level data.

Andrew Eisen, head of IHS Markit's Enterprise Data Management (EDM) platform, says that the key battleground has therefore moved from simple big data to alternative data – which can be used either to generate alpha, or to find unique hedges for credit investments.

"With the sheer amount of data being created every year, there is necessarily a vast amount that is completely new," says Eisen. "Fund managers are having to carry out multi-factor analyses on data simply to find out whether it's connected to their investments or not."

For example, auto loan ABS investors now have access to data forecasting the future value of cars, forecasts for new models and production targets, and supply chain information for car maintenance – none of which necessarily directly impacts the likelihood of existing borrowers repaying, but which may offer an insight into future credit performance. Similarly, satellite images of shopping malls have become a way for credit investors to assess footfall at shopping malls, and therefore to take a view on CMBS tranches backed by these credits.

More recently, investors have begun assessing maritime data – including tracking goods entering and leaving ports, and GPS data tracking ships around the world – as a way to check official economic figures released by states, and by extension, the credit risk associated with sovereign bonds. Eisen says data like this has proved invaluable to investors trading Venezuela's bonds and CDS.

"Shipping and port data has been a very useful way to assess the veracity of Venezuela's official oil production and export figures," he says. "We can check very easily whether the country's reported economic activity lines up with records for key ports, and where those exports are actually going."

And it isn't just investors making use of alternative data sources: marketplace lending originators have got in on the game too, increasingly using data from social media as a gauge of a borrower's creditworthiness.

"Leading originators, such as Kabbage, leverage social media data feeds including Facebook, Twitter and Instagram, as part of their underwriting and fraud-detection policy," says Lee.

And Eisen says machine learning and AI tools like neural networks are being combined with expanding amounts of social media data for input to drive credit risk decisions during the origination process. "There is a long history of investment in machine learning and data science tools in fraud detection, and we're seeing that base expand into ways to assess the likelihood that a borrower will be able to repay a loan. It's very sophisticated AI," he says.

The future

While the amount of data now available to credit hedge funds would have been unthinkable in the pre-crisis era, the rise of big data and alternative data shows no signs of slowing down. According to data from Greenwich Associates, US and European hedge funds currently spend over $170bn per year for alternative data – a figure that is only likely to increase as the volume of available data increases.

Depending on the source, estimates suggest that the amount of data is increasing by at least 60%-90% per year – and by 2020, the accumulated digital universe is expected to exceed 44 zettabytes (44 trillion gigabytes).

"The evolution of cloud computing, improvements in AI technology and the continued growth of alternative data represent a massive opportunity for credit investment strategies," says IHS Markit's Eisen.

And there are some obvious areas for potential growth in the near future. While the US has fully embraced the rise of big data, and there is now extensive information available to credit investors, gaps remain in other markets.

In marked contrast to the American ABS market, WyeTree's Sciamma says loan-level data can still be hard to come by in Europe. Unlike in the US, it is not yet possible for credit managers to buy large anonymous datasets containing loan-level performance data – and mortgage servicer reports can be relatively limited.

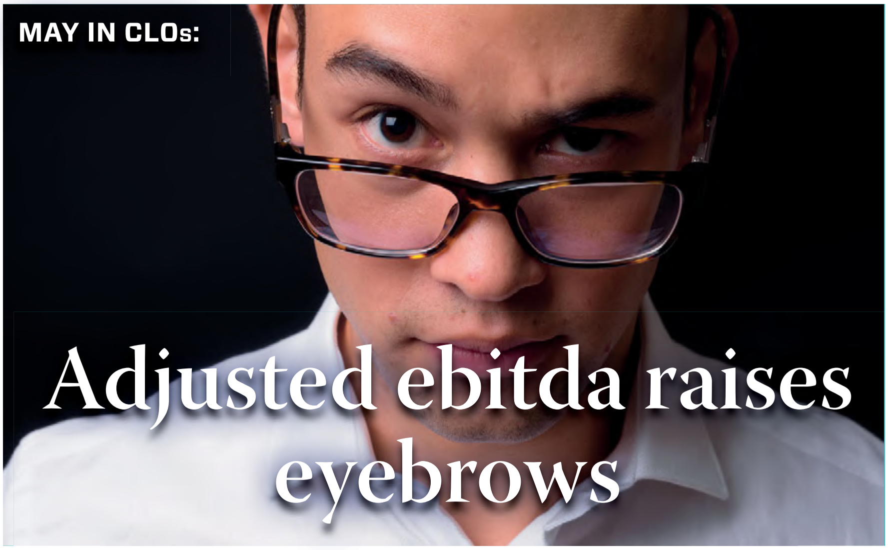
"While it is possible to buy very large – and accurate – data sets for MBS deals in the US, the process is still in its infancy in Europe," she says. "Things are less systematic, and data is collected from a number of different sources, which vary in presentation and quality."

Lee echoes the same complaint for non-US marketplace lending originators. Digital Mosaic, which launched earlier this year, has a 40% bucket for Asian loans and 15% for Latin America and Europe.

"Outside the US, the infrastructure for big data analytics isn't established yet. We often need to specify the exact fields we need from originators operating in the emerging markets since loan-level or local credit bureau data feeds have not been optimised for investor consumption like they are in the US," he says. ◻

James Harvey
Reporter, *Alt Credit*

MAY IN CLOs:



Adjusted ebitda raises eyebrows

Managers begin to express concern about increasingly lax lending standards

By James Harvey

With another $11bn of US CLOs joining the market in May, things appear – at least on the surface – as healthy as ever.

With May's figures – which included debut CLO transactions from CarVal Investors, Kayne Anderson and Partners Group, $54bn of new US deals have priced in the first five months of 2018 – 46% higher than at the same point last year.

Meanwhile, in Europe, four more CLOs priced in May, taking issuance past the €10bn mark year-to-date and putting the market on course to eclipse 2017's record of €20.5bn of full-year issuance.

Overall, this means that $67bn of CLOs have priced globally in 2018 – a 49% increase on the first five months of 2017. The figure is also 26% higher than the global total at the same point in 2014, which saw a record $143bn of combined US and European CLO issuance *(see chart)*.

The flurry of CLO issuance prompted Wells Fargo's CLO research desk to increase its full-year issuance projection from $125bn to $150bn towards the end of May. The bank's analysts highlighted a relatively benign credit environment and the end of risk retention as potential tailwinds for issuance in the second half of the year.

However, while new issuance volumes stayed high, refinancing and reset figures declined from the previous month. Since most CLOs follow a January-April-July-October payment schedule, refi volumes tend to dip in the second and third months of each quarter.

But, while everything is currently rosy – particularly for the CLO arranging desks at major banks – the divide is deepening between those who see the loan bull market as sustainable, and those who are worried about increasingly lax lending standards.

Nowhere was this divide on more public display than at IMN's CLO and Leveraged Loan conference in New York last month, where economists and CLO market participants discussed their outlooks for the US economy.

During an energetic – and occasionally bizarre – keynote speech, economist and CNN pundit Stephen Moore praised the impact of the current administration's tax reform and deregulation policies, claiming that they would drive sustained 3% economic growth, slashing the federal government's debt as a fraction of GDP.

"I am so bullish on the US economy right now," said Moore, highlighting the rise of the shale oil industry in particular as a cause for celebration.

And most panelists expressed tempered optimism about the state of the US economy, noting that there are no short-term catalysts for a major uptick in defaults. Moody's expects the default rate to decrease to 2% (from 3.6% in 2017), while S&P Global is projecting a year-end default rate of 2.6%.

However, some managers expressed concern about increasingly lax lending standards, and the potential implications for CLOs.

In a comment that highlighted the near universality of covenant-lite loans, Eagle Point's Tom Majewski noted that managers now view any fully-covenanted loan as "a problem credit by definition".

And Farboud Tavangar, a senior portfolio manager at Tetragon's LCM Asset Management, noted that the typical CLO portfolio at issuance is significantly riskier today than before the crisis.

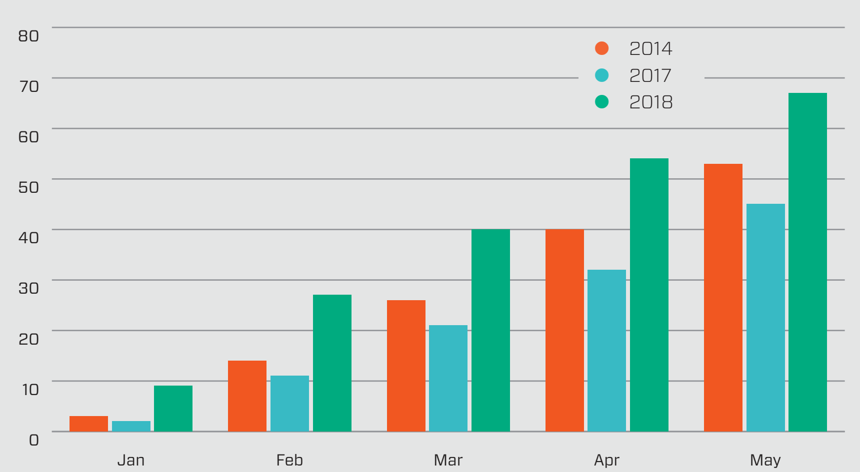
"The average WARF for CLOs at issuance stands at around 2700 today, compared with 2400 in 2007," he said. According to Moody's, a 2700 WARF reflects an average portfolio rating of B2, while 2400 reflects an average rating nearly a full notch higher.

Later, Tavangar took aim at the increasing use of adjusted ebitda figures in calculating leverage multiples.

"Companies are being allowed to lever portions of ebitda that are totally speculative," he said. "The adjustments that are being put in place are leading to true leverage levels that are significantly higher than what meets the eye."

In a poll held during a later panel discussion on loan documents, 44.4% of respondents said that issuers hit their adjusted ebitda projections less than 50% of the time, with 55.6% saying that issuers hit their targets more often than not.

Cumulative global new CLO issuance ($bn)



Source: ACI, Wells Fargo

May in CDS:

The good, the bad, and the ugly?

Italian fears spark rout in CDS, as legitimacy comes into question

by Jon Close

It was quite a month for the derivatives market. Volatility has definitely inched up across the board for credit in general and dispersion has been steadily growing among credits since February.

But events in Italy took things to a new level. The two biggest populist parties in the countries agreed to form a coalition after weeks of wrangling.

There was a problem with their chosen finance minister, who had quite hilariously lied on his CV, but more importantly had pledged to leave the euro without further public consultation. As both parties had campaigned saying they were committed to the euro, the president rejected their request to form a government with him in the seat. A few days of panic ensued, with talks of a technocratic government, until a new candidate was put forward and accepted.

There were talks that the ECB had intentionally tweaked its bond buying program to accentuate the issue, but CDS markets suggest the fear was real, and bond maturity schedules suggest the shift in purchases was legitimate too.

CDS indices blew out on the back of the news, and the fears spread to the US into the end of the month. As *Alt Credit* goes to press however, a new government has been formed, and spreads have shot back down again.

A stark reminder that credit traders can't afford to sell in May and go away in this climate.

Creditbility swaps

Attentions were piqued by a number of other CDS headlines in May. Firstly, the Pope chimed in, lambasting the CDS market it as ethically inexcusable.

There were rumours of an attempted personal Isda agreement application failing, while these are so far completely unproven, the document released by the Vatican seemed to contain a fair degree of sophisticated knowledge about the market, appearing to favour central clearing.

The timing of the criticism was actually probably more to do with the then-ongoing saga over Hovnanian. The New Jersey homebuilder continued to make headlines. First there was talking of both Solus and GSO essentially trying to squeeze each other out of the trade, before it emerged that Goldman Sachs had sold out of its positions at least partially to appease a major client. But then, seemingly out of the blue, the Solus and GSO came to an agreement, and the deal was settled.

Akshay Shah, the man behind the trade, and similar trades at GSO was profiled in the press as a scourge of trading desks and rivals, an aggressive trader who made a habit of these kinds of deals. He recently left GSO, and has since registered the firm name Kyma Capital in London.

Hellebore's DataGrapple service highlighted another trade which slipped under the radar, as Sears' largest shareholder ESL Investment asked the firm to sell businesses to ESL. Sears would then pay down some of its most distressed bonds, reducing the value of any CDS contracts. It's not clear if ESL had sold any CDS protection on Sears, but perhaps it should've done.

Major CDS indices (bps)

Index	Spread, 1 June 2018 (bps)	1-month change
CDX NA IG	67	6
CDX NA HY	353	14
iTraxx Main	70	16
iTraxx Xover	307	37
iTraxx Sen Fin	87	29
iTraxx Sub Fin	196	75

Source: IHS Markit, Deutsche Bank

Despite all the action, almost all major indices ended the month a shade wider, as the Italian government managed to form with a finance minister palatable to the markets just before the month was out.

> "Volatility has definitely inched up across the board for credit in general and dispersion has been steadily growing among credits"

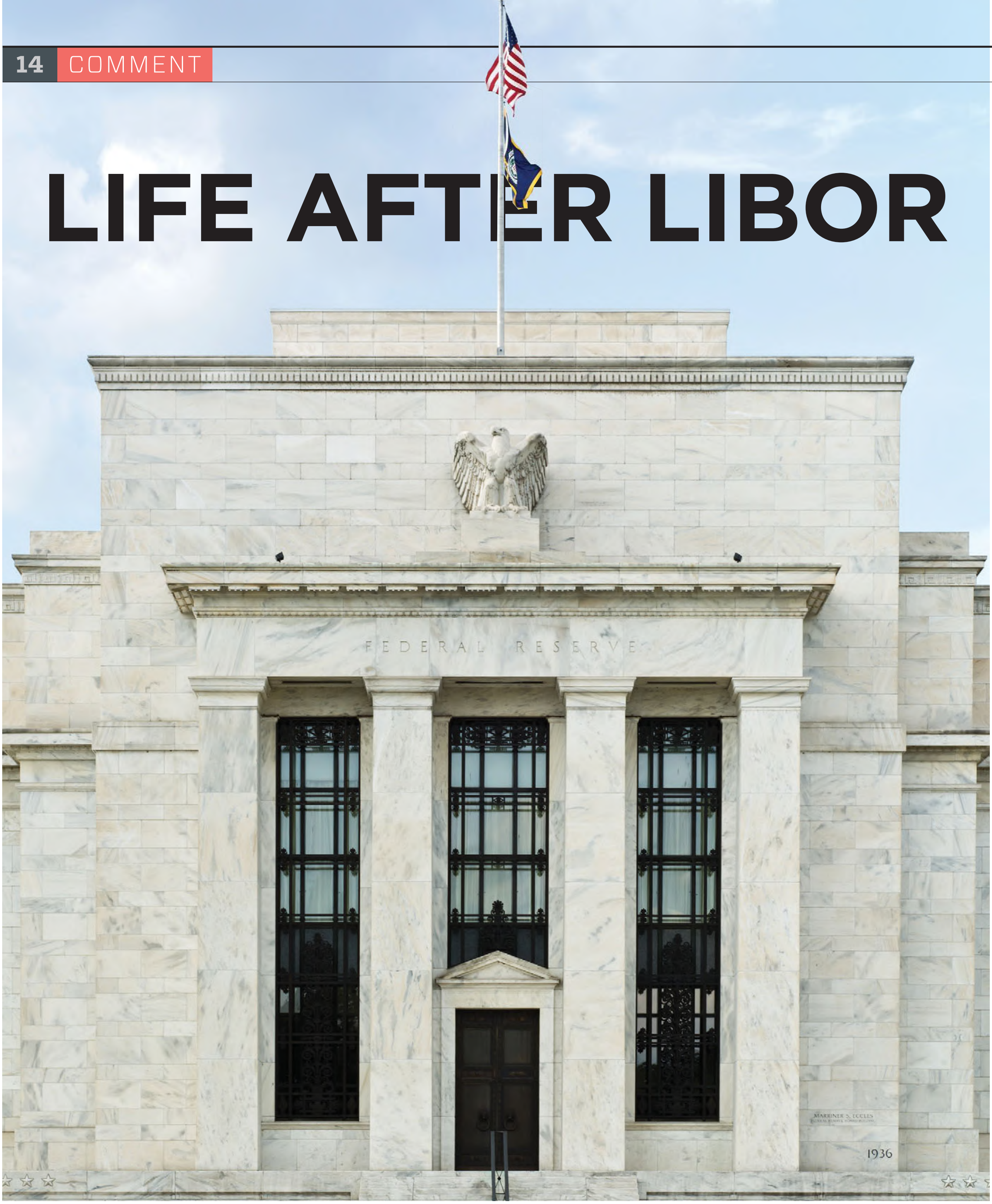
The pope wouldn't have to look far for his next CDS story though, as Italian spreads blew up in the wake of a populist government that briefly looked likely to threaten Italy's place in the euro. As mentioned on page four, this opened up the 'Isda basis' even if its effects were over blown. Experts reckoned it was more likely to affect Italian corporates.

It was actually Deutsche Bank that ended up bearing much of the brunt however, as questions over its Italian exposures merged seamlessly with the FDIC questioning the viability of its US business. The firm's senior spreads jumped out 35bps to 190bps on the last day of the month as its shares tumbled.

Through mid-month, the CDX EM index had been suspiciously unmoveable. In fact, on the day before options expiry, with a host of issues building for emerging market credit, the index was reportedly 'stuck' just under 55bps. It was said that a lot of 'pin' risk had built up, and the 55bps strike had been popular with options buyers. The index itself is illiquid enough that it wouldn't take much effort for a company to defend that position. ◘

Jon Close
Head of content, *Alt Credit*

LIFE AFTER LIBOR



The Federal Reserve began publishing its replacement to Libor in April, as markets undertake the process of transitioning structured credit, bank loan and derivatives instruments away from the legacy interest rate that had been tarred by unlawful collusion. DealVector's **Dave Jefferds** and **Michele Kelsey** of International Solutions Network believe that technology may provide the key to achieving this result for securitised products

The Libor reference rate is written into the contracts of approximately $370trn global transactions, including securitizations like CLOs which comprise approximately $10trn of the total. After a string of scandals that made a change necessary, markets are beginning the gargantuan task of moving away from the benchmark.

The key question for each outstanding instrument is: what will the new reference be? It may be the benchmarks with existing history and depth like SOFR will become the default for many markets. But while derivative contracts are likely to receive globally standardized treatment from ISDA, securitized cash transactions are not homogenous. Consequently, holders must review the critical language found in each trust document. Then each trust will need to "decide."

In some cases the transition from the LIBOR benchmark is contemplated in the language and may be a smooth process. In others the process may not be smooth. And in other indentures the transition may not be contemplated at all.

Moreover, different participants to the transaction may not be aligned, and the economic consequences might be significant. For example, in CLOs if the collateral in the asset side of the trust resets to one benchmark while the tranche liabilities reset to another, the equity might receive either a windfall or a catastrophe.

Securitized markets including CLOs are notoriously illiquid, further exacerbating the risks. It may be that even if parties are aligned to pursue a particular adjustment to the indenture language, the necessary votes to amend cannot be found! This result would echo some of the challenges that occurred following the 2008 crisis. Typically in structured credit transactions less than 10% of the holders can be identified easily from public sources. By contrast, almost half of holders of the debt of the Fortune 500 can be found, and public holders of the Fortune 500 equity can be found in approximately 85% of cases.

Therefore, for approximately $10trn of structured credit transactions globally (including CDO, CLO, RMBS, CMBS, and Syndicated loans), the stakes are high and the solutions appear to be difficult to implement.

It's not only Libor:

An array of regulatory requirements that have unfolded in Europe and the US since the financial crisis have all shared a common objective: restoring confidence in the European financial and securitisation markets, through tighter controls and communication, increased transparency and information sharing across all parties.

STS, Solvency II, IFRS 9, Basel III and MiFID II are all scheduled to take effect in the next 15 months or have already been implemented. There have also been pushes in the US, through regulations like Reg AB II, investor based trade associations, (SFIG RMBS 3.0) and industry groups that call for similar communication.

And the call for increased communication is not only coming from regulators and rating agencies; it is also coming from investors, trade associations, and other market participants.

These create operational and compliance requirements globally for both buy side and sell side players, trustees, servicers brokers, and all other parties in the transaction chain. In the US, regulations like Reg AB II, investor-based trade associations, (SFIG RMBS 3.0) and industry groups are all calling for similar communication.

What type of communication:

With the forthcoming move away from Libor on top of the regulatory and investor-mandated initiatives, communication amongst all parties that is authenticated, identity-protected, and that makes use of voting, tabulation, and corporate actions tools will not only be beneficial; it will be mission-critical to fulfilling these requirements.

The process of finding all the interested parties and negotiating a switch (to a new reference in the case of Libor, or generally with respect to any amendment) could be time consuming and laborious without the communication tools DealVector has implementing, particularly through its Liborhub module. Liborhub connects into DealVector's network of over 1000 institutions that participate in the structured credit space, consolidates market information, and provides communication and voting facilitation tools to make it easier for participants to manage their risk. DealVector can review documents for clients as well as analyze market holdings and estimate the difficulty of execution for parties that are concerned about their transactions.

The benefits of this type of market communication have already begun to accrue. There are numerous specific examples where firms were able to locate and communicate with their (previously unlocatable) end investors, secure and tabulate needed approvals, and provide corporate actions and other documentation. On DealVector, for example, managers were able to 'Volckerise' their CLO transactions, community banks were able to locate their TRuPS liability holders to effect recapitalizations, and the entire Student Loan ABS investor universe came together to pass maturity extensions on $18bn of issuances with 100% consents thresholds! The last involved position sizes from $25,000 to $200m or more across almost 400 investors.

Clearly, communication technology is beneficial to an orderly market, and policymakers have recognized this fact, particularly in Europe. But there is more to be done, since the basic settlement infrastructure of finance makes it very difficult for investors to coordinate.

The possibilities of an improved communication system would be exciting and likely lead to more business for everyone. The volume of new issuance, it is believed, could increase as confidence of investors improved.

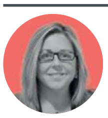
Further benefits:

The potential to leverage better communications technology will have a meaningful impact on liquidity, which will lead to better mark-to-market pricing and a positive impact on risk retention capital requirements. Ultimately the goal is to maintain market confidence and retain investors when conditions change. This increase in liquidity and resultant positive impact on credit will ultimately help lower capital requirements and create a securitised market environment that is supportive of growth and recovery.

> "Any good active manager will have cherry-picked the best of the universe for their clients' portfolios, minimising"

Another benefit of these technological solutions in aggregate is they will create a better market and allow for better pricing and valuation. With increased communication, and therefore transparency and liquidity, valuation services will have access to more actual trade data, allowing them to provide the highest quality prices. A better system for communicating axe sheets and quotes will support trade decision analyses, as well as end of period valuations and modelling. Intra-day and end-of-day pricing will become more robust, more accurate, have less volatility and will help meet audit requirements for additional marks.

Dave Lefferds
Co-founder, interim CEO
DealVector



Michele Kelsy
Managing director
International Solutions Network

GETTING USED TO EXPECTING THE UNEXPECTED

As the Fed pulls back from quantitative easing, credit markets will have to get used to more frequent bouts of volatility, says **BlueBay**'s head of credit strategy, **David Riley**

The QE investment regime that inflated asset prices by supressing dispersion is coming to an end. The Fed is shrinking its balance sheet (also known as quantitative tightening) and the ECB (and BoJ less transparently) is tapering its asset purchases.

Markets are past 'peak QE' and even though central banks' disengagement is gradual, it nonetheless marks a profound shift in the post-crisis investment regime, marked by greater asset price dispersion, lower correlations and increased event risk.

In assessing financial markets in 2018, we have already witnessed several bouts of volatility, beginning with the record move in Vix index in February, followed by subsequent spikes in Argentine, Turkish and more recently, Italian assets. One wonders where there is currently complacency in markets and where a shock could show up next. However, the global growth dynamic is still constructive, and policy remains broadly benign, but investors may be getting used to expecting the unexpected.

Beginning of the end for beta cruising

20 September 2017 marked a watershed moment for global financial markets – the beginning of the end of quantitative easing (QE). The world's most influential central bank – the US Federal Reserve (Fed) – announced that from October it would start to shrink its balance sheet, bloated by more than $4.2trn of Treasury and mortgage-backed securities amassed since the 2007–08 financial crisis in an effort to forestall a depression and stimulate economic recovery.

The European Central Bank (ECB) and Bank of Japan (BoJ) are also gradually reducing the scale of their asset purchases. The peak in QE has passed with important implications for asset markets and investment strategies.

QE and the investment regime

The wash of stimulus money that flooded markets from 2007 suppressed asset price dispersion and elevated cross-asset correlations as the ebb and flow of central bank liquidity became the overwhelming common macro factor driving global asset prices. Correlations across sectors within asset classes and between the individual asset classes themselves rose along with markets. Yields were pushed artificially low, valuations moved upward and the classic negatively correlated relationship between bonds and equities became distorted. In such an environment, the rewards from asset and security selections were much more limited with investment returns dominated by the QE induced 'beta' rally that favoured passive benchmark-tracking over active investment strategies.

But as the QE-era investment regime begins to unwind we are witnessing the first signs of a shift in the investment environment. Stock correlations across the S&P 500 index fell throughout 2017 and dispersion in stock performance is rising, helping active equity managers to outperform passive investment vehicles. Similarly, dispersion in credit, especially in high yield, is also moving higher as investors recognise greater differentiation in borrowers' credit profiles.

Three post-QE shifts

1. Lower asset correlation

Asset correlations measure how investments move in relation to one another. For much of the post-crisis period, markets moved in lockstep, signalling high correlation. This defies classical financial theory, which tells us that when equities rise then bonds should fall, and vice versa. Instead in the QE-era there was often a positive relationship between the two. Looking within the fixed income universe, regional differences in the performance of government bonds and credit have become less pronounced as the ebb and flow of central bank liquidity has overwhelmed divergences in economic and credit fundamentals. While this 'rising tide lifts all boats' environment benefited passive index tracking strategies, active managers were thwarted as low-quality companies followed markets upwards without the fundamentals to back their inflated valuations. However, we are now seeing early signs that correlation levels are beginning to ease, with the 2017 numbers similar to thosew recorded pre-2008. We expect this shift to continue as QE is withdrawn.

2. Greater dispersion in asset performance

Falling correlation levels provide a proxy for increased dispersion. Essentially measuring the difference between the best and worst performers in any group – in this context asset classes. For the past few years as developed market government debt has yielded so little, high yield and non-investment grade bonds have done well. Investors have chased yields into more risky areas of the fixed income market, accepting higher levels of default in anticipation of higher returns. While we believe there are attractive investments across the asset class spectrum, subscriptions for high yield and non-investment grade bond issues have risen, influenced by somewhat inflated issuer company valuations.

Fortunately, in line with falling correlation levels, we are starting to see greater differentiation within sectors. This should pave the way for active managers to put their selection powers to work, scrutinising underlying fundamentals to select the best quality positions, rather than any issuer doing well on a combination of hype, overblown equity prices and guaranteed market security as QE flows were indiscriminate in the companies they ultimately supported. To paraphrase Mario Draghi, central banks did 'whatever it took' to bolster markets. One result was very low dispersion. As this support is now being withdrawn, we expect dispersion to increase.

Greater political and policy uncertainty requires investors to have access to a broader range of intelligence sources. These include the need for proprietary research through direct communication with key influencers, recognising and exploiting news bias and effectively utilising social media. The rise of unreliable news sources and 'fake news' means that investors have to be smarter and selective in what they consume.

Not so safe – traditional debt now vulnerable

The purpose of traditional core fixed income – high grade and government bonds – in many investor portfolios is to provide predictable income and safety, including low levels of asset price volatility. The legacy of QE and ultra-low policy interest rates is that traditional fixed income offers very little in the way of income and is increasingly vulnerable to episodes of market volatility. The interest rate sensitivity of fixed income benchmarks – their duration – has increased dramatically during the QE-era.

> "Any good active manager will have cherry-picked the best of the universe for their clients' portfolios, minimising downside exposure"

3. Lower beta (market) returns

QE flows supported markets and drove up performance through the two factors discussed above. As the global bulk bond buying campaign is unwound, overall market performance (market beta) will likely ease off, reflecting the fact that post-crisis return levels have been held artificially high. Declining market values will likely cause alarm for investors following broad-brush passive approaches, as they hold all index constituents indiscriminately and are therefore exposed to all of the downside. But any good active manager will have cherry-picked the best of the universe for their clients' portfolios, minimising downside exposure. Lower beta returns lead the way for true alpha generation, where manager performance is ahead of the market as a result of intelligent issuer selection.

Political noise & activist policies

One factor driving the increase in dispersion is the rise of populist politics and more interventionist governments, a trend we expect to continue as central banks wind down QE. Voter allegiances have become more fluid, rendering traditional sources of political insight less reliable.

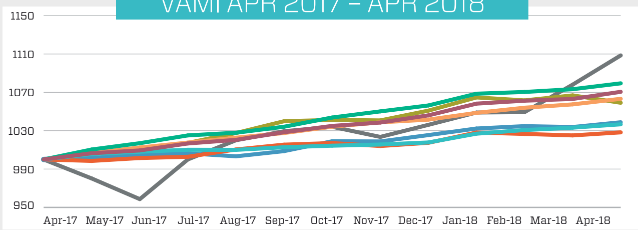
With duration levels at record highs, many traditional holdings have become portfolio dead weights: they offer record low yields (negative in some cases including Germany, Switzerland and Japan) and will be hit hard by higher interest rates and volatility. In the space of just six weeks from end April 2015, a mere 50 basis points rise in German bund yields led to a negative return of more than 6% for investors passively holding a portfolio of German government bonds.

The QT highway

The episodes of volatility so far this year are a reminder of the post-QE investment regime which is marked by heightened volatility and a more challenging technical environment. Greater cross-asset dispersion as well as volatility will likely persist. Nonetheless, more balanced investor positioning as well as evidence that global growth remains well above trend provides some comfort. ◘

David Riley
Head of credit strategy
BlueBay

VAMI APR 2017 – APR 2018



CREDIT PERFORMANCE

INDEX NAME	APR (%)	YTD (%)
US credit	0.7%	2.4%
US FI	0.3%	1.9%
Euro credit	0.6%	2.2%
Euro FI	0.3%	1.1%
US Convert arb	0.5%	1.3%
MBS	0.6%	2.1%
EM debt	-0.7%	0.8%
LatAm debt	2.8%	7.0%

Source: HFM Global

DSC Meridian gears up for debut credit opps launch

Ex-Paulson credit research head launches new fund with broad investment mandate

DSC Meridian Capital has launched its debut opportunistic credit fund, *Alt Credit Intelligence* has learned.

The DSC Meridian Credit Opportunities Fund went live on 1 June, according to sources familiar with the matter.

The fund has a broad mandate and will make both long and short investments across a wide range of credit opportunities, aiming to generate absolute returns throughout the credit cycle. For example, DSC Meridian is said to be eyeing investments in performing, stressed and distressed credit, including bankruptcies, re-organisations, capital structure arbitrage, and post-reorg equities. The firm is expected to invest across a wide range of companies, from small-cap to large-cap firms.

New York-based DSC Meridian is led by founder and CIO Sheru Chowdhry, who established the firm late last year after leaving Paulson & Co. Chowdhry joined Paulson in 2004 as the firm's first ever credit hire, becoming a partner at the firm in 2007, and head of credit research in 2009.


Sheru Chowdhry

During his time at the firm, he was co-portfolio manager alongside John Paulson for the Paulson Credit Opportunities fund, which managed over $5bn at its peak. The fund gained nearly 600% in 2007 after shorting BBB-rated tranches in subprime MBS deals.

Working alongside Chowdhry at DSC Meridian as partners are Edwin Tai, David Gulkowitz, Matt Breckenridge and Jay Blount. Tai and Gulkowitz were the first to join Chowdhry as partners at DSC Meridian, both joining in October of last year, according to their LinkedIn profiles.

Tai was previously a portfolio manager at Newfleet Asset Management, joining in 2015 after five years at Third Avenue.

Gulkowitz, who is the firm's COO and CFO, is best known for a six-year spell as COO at Hutchin Hill Capital between 2009 and 2015. Most recently, he was co-founder and COO at opportunistic credit hedge fund Milford Sound Capital.

Meanwhile, Breckenridge and Blount joined DSC Meridian in January, as partner on the investment team and head of business development and investor relations, respectively.

Breckenridge was previously a managing director and senior investment analyst at Marathon Asset Management, focusing on distressed credit and NPLs. He left the firm in December 2016.

Blount joined DSC Meridian from energy equity-focused hedge fund TVR Capital Management, where he had worked for 18 months. He previously spent seven-and-a-half years at Paulson, overlapping with founder Chowdhry.

Officials at DSC Meridian declined to comment on the launch.

Ex-Janus Henderson credit head joins BlueBay in London

BlueBay Asset Management has hired the former head of credit at Janus Henderson, Stephen Thariyan, to work in a newly-created co-head of developed markets role in London.

Thariyan joined Henderson in 2007 as head of credit, having spent eight years at London-based fixed income specialist Rogge Global Partners, where he latterly held a senior portfolio manager role. He also held roles at Natwest Markets and Chevron.

Thariyan will report to BlueBay CIO Raphael Robelin and will work alongside Mark Dowding, the other co-head of developed markets. He will be responsible for the firm's developed markets' corporate credit investment process and will help develop BlueBay's corporate credit strategies across investment grade, leveraged finance and convertible bonds.

"As we continue to grow our investment capabilities in response to constantly evolving markets and investor demands, our ability to generate superior investment performance is critical to our success. As such, we continue to strengthen our investment teams to maintain our focus on strong investment returns for new and existing investors," Raphael Robelin said.

"Stephen is a highly experienced credit investor with a proven ability to lead a global team and generate strong investment returns. His experience will complement Mark's strong macro and sovereign expertise and, together, I believe they will continue to enhance our developed markets footprint," he added.

Thariyan joins several fixed income colleagues who have departed in recent months, following the merger between Henderson Global Investors and Janus Capital last May.

Phillip Apel, a founding member of the firm's fixed income investment strategy group (ISG), is due to retire at the end of June, following the departure of fund manager and interest rates head Mitul Patel last month.

BlueBay has $13.8bn in alternatives AuM, with around $8.6bn across private debt and emerging markets assets.

The firm has been on a hiring spree of late, adding two counsels and a senior compliance officer in recent month.

TOP 3 ALT CREDIT

NAME	AUM ($M)	LAST 3 MONTHS	YTD 2018
LIBERTAS REAL ASSET OPPORTUNITIES FUND	UNDIS-CLOSED	32.0%	29.8%
OLD WEST INCOME FUND	44	18.2%	20.7%
AEGEA ABSOLUTE RETURN FUND	84	13.7%	16.5%

TOP 3 UCITS

NAME	AUM ($M)	LAST 3 MONTHS	YTD 2018
MELCHIOR CREDIT RISK PREMIA FUND	10	1.1%	1.7%
BUTLER CREDIT OPPORTUNITIES UCITS FUND	182	0.9%	1.5%
WYETREE NORTH AMERICAN ABS FUND	UNDIS-CLOSED	0.7%	1.8%

TOP 3 OVER $1BN

NAME	AUM ($M)	LAST 3 MONTHS	YTD 2018
LMR ALPHA RATES TRADING FUND	2200	3.6%	5.1%
MUDRICK DISTRESSED OPPORTUNITY FUND	1200	3.1%	-0.1%
WOLVERINE FLAGSHIP FUND	1839	2.8%	3.9%

HSBC hits $800m for close of loan fund

The firm's first dedicated loan strategy closed on 27 April

HSBC Global Asset Management (GAM) has reached a final close of its HSBC Diversified Loan Fund, its first dedicated loan strategy, with around $800m in commitments.

Combining both loan investing and direct lending, the fund had its first close in October last year, followed by a second in January.

HSBC GAM's third and final close for the portfolio was completed on 27 April.

The fund is structured as a Luxembourg société en commandite spéciale (special limited partnership), with HSBC Alternative Investments Limited (Hail) appointed as adviser. A number of sub-managers will make the investments, and will primarily invest in floating rate, senior secured credit instruments such as syndicated loans, as well as senior secured and unitranche loans to middle-market companies.

HSBC GAM anticipates having between 300 and 400 underlying positions within the fund once it is fully invested. It can allocate to North America, Europe and Asia.

The fund is expected to be 100% drawn at inception and runs over a six-year time horizon with no leverage. There will be no performance fee, and a 1% management fee on the fund, though sub-managers may charge performance fees.

"We've seen some strong and resilient performance demonstrated by our syndicated loan managers. We have also seen the first deployment from our direct lending managers, with both of them showing healthy investment pipelines," said head of Hail William Benjamin.

In May 2016, Hail rehired Goldman Sachs alternative advisory platform head Benjamin as its global head of hedge funds as HSBC finalised the transfer of Hail into its wider asset management arm.

Barrow Hanley hires Whitebox pros for new bank loan strategy in Dallas

Asset manager Barrow Hanley is set to launch a new investment strategy targeting bank loans after making two senior hires.

The Dallas-based firm has hired Nick Losey and Chet Pai from Whitebox Advisors to lead the new strategy, reporting to fixed income co-heads Mark Luchsinger and Scott McDonald, according to an announcement.

As well as launching the new bank loan strategy, the pair will join Luchsinger and McDonald as co-portfolio managers on Barrow Hanley's high-yield fund, which launched in 2002.

Losey and Pai joined Whitebox in 2015, with a mandate to grow a CLO platform at the firm. Previously, they worked together at White Oak Global Advisors, where they were managed an event-driven hedge fund.

Before joining White Oak, the pair worked for Highland Capital Management, investing in bank loans, high yield bonds and equities.

The hires follow that of Bill Braxton, who joined the firm earlier this month as director of client development, responsible for business development, investor relations and fundraising for the firm's fixed income strategies.

Barrow Hanley was founded in 1979, and as of year-end has $91.7bn of assets under management, split between value equity investments and fixed income.

The hires come as outstanding leveraged loan volumes rose to a record high of $1.4trn in 2017, an increase of 13% on the previous year. At the same time, high yield bond volumes fell 4.8% to $1.3trn, according to Moody's Analytics.

The rise in leveraged loan volumes has been met by a surge in CLO issuance. 2017 saw $133bn of global issuance for the first time since 2007.

Tabula Investment launches CDS-tracking ETF

Former Source ETF co-founder Michael John Lytle and ex-GLG COO Hasan Sabri are launching a fixed income ETF firm aimed at European institutional investors.

London-based Tabula Investment Management is set to launch its first ETF soon and will then seek to expand its offering across the fixed income spectrum, the ETF will track CDS indices from IHS Markit.

Future products will encompass investment grade and high-yield credit into inflation, government debt, emerging markets, bank capital, money markets, ESG strategies and Solvency II-efficient funds.

The firm is currently operating as an appointed representative of Cheyne Capital until it gets FCA authorisation. HSBC is providing custody and administration services alongside additional banking services. Tabula also has partnerships with IHS Markit, KB Associates, ICE and PwC.

"We are optimistic that delivering precise exposure and addressing specific investment needs will resonate with investors and complement existing products," said Lytle.

HSBC Securities Services managing director Tony McDonnell added: "HSBC is proud to partner with Tabula in what we believe to be an innovative approach to the market. ETFs continue to contribute a large part of the growth in the European investment fund industry."

Lytle was a founding partner of Source ETFs in 2009, which was acquired by US asset manager Invesco last year. Prior to that he spent 18 years with Morgan Stanley as an executive director in fixed income.

Sabri has held several senior roles in financial technology, asset management and banking over the past 30 years. Most recently, he was CEO of online investment service MyInvest. Earlier in his career, he held the role of COO at GLG Partners, joining from Lehman Brothers.

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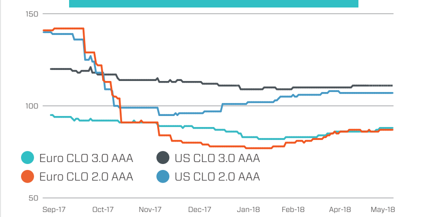

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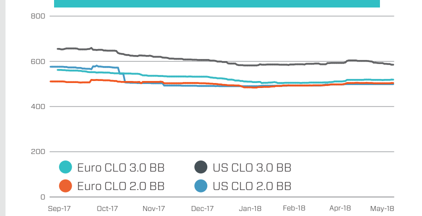


TOP ADVANCERS US

LOAN	LAST	PREVIOUS	%
MILLENNIUM LABORATORIES 12/15 TL	51.3	34.9	47%
LIGHTSQUARED 12/15 2ND LIEN COV	33.4	25.4	31%
AMERICAN COMMERCIAL LINES 11/15	69.3	57.9	20%
J.CREW 2/14 COV-LITE TL	84.1	74	14%
CATALINA MARKETING 4/14 COV-LITE TL	68.1	62.2	10%

Structured credit specialist joins Flat Rock

Benjamin Jacquard to oversee strategic development at the $5.8bn New York-based manager

Start-up asset manager Flat Rock Global has made a senior hire shortly after launching a new CLO interval fund, *Alt Credit* has learned.

The New York-based firm has hired Shiloh Bates from Benefit Street Partners, in a managing director-level investment role. Bates spent a year and a half at Benefit Street, where he was responsible for corporate acquisitions.

Prior to joining Benefit Street in 2016, Bates was the head of structured products at BDC specialist Business Development Corporation of America, where he was primarily responsible for CLO equity investments. At BDCA, he worked alongside Flat Rock founder Robert Grunewald, who served as the firm's president and CIO from 2011 to 2015.

Earlier in his career, Bates was a senior analyst at Canaras Capital Management and Four Corners Capital Management. He began his career at Wachovia.

Flat Rock, which was founded in 2016 by Grunewald and former Fifth Street CFO David Petrocelli, launched its debut fund, a non-traded BDC named Flat Rock Capital, in March 2017.

Alt Credit reported earlier this year that the firm had launched a new interval fund, Flat Rock Opportunity Fund, to invest in CLO equity, junior debt and warehouse facilities. Flat Rock is targeting $100m for the strategy.

The BDC sector has been back in the headlines recently after Congress passed the Small Business Credit Availability Act on 23 March – the first major change to the way BDCs operate since their founding in 1980.

Under the terms of the act, BDC managers can elect to raise their leverage ratio from the previous limit of 1:1, up to a maximum of 2:1. Ares Capital is among the BDCs to announce plans to take advantage of the new rules.

Flat Rock could not immediately be reached for comment.

CIFC co-CEO Oliver Wriedt departs London office out of the blue

Oliver Wriedt has left his position as co-CEO at New York-based credit manager CIFC Asset Management, the firm announced recently.

Wriedt has departed the firm to "pursue other opportunities", according to a statement from CIFC, although there is currently no word on his future plans. CIO Steve Vaccaro, who worked with Wriedt as co-CEO, has now been named CIFC's sole CEO.

"We appreciate the hard work, contribution and vision that Oliver brought to CIFC over the past six years and wish him well in his future endeavors," said Vaccaro in a statement.

The reasons for Wriedt's departure from CIFC are not clear, but the move appears to have caught the firm by surprise. Just a few days before Wreidt's departure was made public, the firm announced that it had hired Joshua Hughes from London-rival Muzinich as its new head of European marketing. At the time, the firm specifically stated that he would be reporting directly to Wriedt.

Wriedt joined CIFC in March 2012 from Providence Equity, where he had spent two years as a managing director in the capital markets group.


Oliver Wriedt

Earlier in his career, he spent four years at credit hedge fund manager GoldenTree Asset Management, where he served as the firm's co-head of marketing and structured products. Before joining GoldenTree in 2004, he held several sales positions at Deutsche Bank, latterly as head of alternative asset solutions for North America.

CIFC has around $18bn in assets under management, focused primarily in structured credit strategies. The firm was founded in 2005, and is headquartered in New York. It officially filed as a company with the UK's Companies House in August 2017, but does not yet have an FCA license to trade in the UK.

Alt Credit also reported that CIFC had lost associate credit analyst James Silcock to Dallas-based Barrow Hanley as it builds out its fixed income business. He joined the firm with Michael Trahan from Carlson Capital.

"It's [CDS] a standardised product now and has been for some time, with input for product rules from both dealers and investors"

Gavan Nolan, director in business development and research, fixed income pricing, IHS Markit

(*Analysis, page 4*)

TOP ADVANCERS EUROPE

LOAN	LAST	PREVIOUS	%
AENOVA 8/14 COV-LITE	90.5	83.3	9%
PACIFIC DRILLING 6/13 TL	38.4	35.8	7%
VIVARTE 10/14 SUPER SENIOR TL	92.6	88.8	4%
CAMAIEU 2/14 EXTENDED TLC	90.6	88.2	3%
DEOLEO 6/14 PERFECTED TL	72.1	70.2	3%

TOP DECLINERS US

LOAN	LAST	PREVIOUS	%
DIXIE ELECTRIC 1/14 TLB	38.3	53	-28%
WESTMORELAND COAL	26	34	-24%
PHILLIPS PET FOOD 1/14 TL	54.8	62.9	-13%
BLACKHAWK MINING 12/17 TLB1	77.2	85	-9%
BELK 12/15 COV-LITE TL	77.5	84.9	-9%

TOP DECLINERS EUROPE

LOAN	LAST	PREVIOUS	%
ABENGOA 4/17 (USD) SENIOR TL	19.9	25.5	-22%
CARILLION PPN TL	0.8	0.9	-16%
STEMCOR 12/15 REMAINCO PIK TLB	6.3	7	-10%
DOUGLAS HOLDING 2/17 COV-LITE	92.2	97.7	-6%
SLV 12/16 COV-LITE TLB	93.8	97	-3%

Source: IHS Markit Data

Ex-BNP global head of credit joins Chenavari in London

Former trader takes strategic development role

Credit manager Chenavari has brought in ex-BNP global credit head Benjamin Jacquard as a partner.

In his new role, Jacquard will oversee the London-headquartered firm's strategic development. Jacquard left BNP Paribas earlier this year having been global head of credit, based in London.

Arne Groes – the former co-head of G10 rates, prime services and financing at the French banking giant – has assumed Jacquard's role at BNP following his departure.

Prior to joining BNP in 2008, Jacquard worked for around a year as the global head of credit structuring and trading at Crédit Agricole. From 2004 to 2007, he served as the global head of structured credit trading at Bank of America.

"Chenavari is confident that Benjamin's extensive experience and expertise across liquid and illiquid credit will help the firm to reaffirm its ambitions in credit amongst new and existing strategies," Chenavari said in a statement.

"Benjamin's arrival will help further structure the strategy of Chenavari, as the company enters its second decade of existence and address the ongoing transformation of the firm and industry," the statement added.

Jacquard has joined Chenavari at a time when the firm is expanding on a number of fronts. *Alt Credit* reported in January that the firm was preparing to launch a new trade finance strategy with between $250m and $300m in funding.

Chenavari – which manages $5.8bn across tradeable credit, private credit and CLO strategies – believes it is also "well positioned to participate in investment opportunities arising from bank deleveraging in Europe".

The Chenavari Multi Strategy Fund fell around 1% in the three months to March 2018, according to performance data obtained by sister title *HFMWeek*. The decline comes after the fund returned 5.2% and 0.3% in 2017 and 2016 respectively.

Chenavari is led by co-CIOs Loïc Fery and Frederic Couderc.

Delaware Life hires CLO investment head

Delaware Life has beefed up its structured credit investing team by hiring Ryan O'Shea from Genworth, *Alt Credit* has learned.

O'Shea joined the firm in a director-level role earlier this month, and is based in New York. He is responsible for structuring and investment strategy in Delaware Life's structured credit unit, according to his LinkedIn profile.

O'Shea's move to Delaware Life comes after a two-year stay at Genworth in Stamford, where he served as the firm's head of CLO investments.

Prior to joining Genworth in 2016, he spent two years as an analyst at credit hedge fund MKP Capital Management, where he worked on the MKP Credit Fund and MKP CRE Fund I. Earlier in his career, he worked for DBRS and DRW Trading. He began his career as a CLO analyst at Zais Group in 2008.

The news comes amid a spate of hirings and growth in the CLO space. In May alone *Alt Credit* reported that Permira Debt Managers hired former Och-Ziff analyst Pierre Driant in London as it builds out a new CLO unit, Partners Group launched its first US CLO after building out a team, SMBC hired Dan Strong from Capital One to build a mid-market CLO arranging business, and Steven Paget joined Angelo Gordon to build out a European CLO business in London.

MidOcean targets low double digits for latest fund

MidOcean Credit Partners is preparing a new investment fund to target less liquid, off-the-run loans and bonds, *Alt Credit* has learned.

The MidOcean Tactical Credit Fund II will invest in smaller North American credits which are dealing with regulatory or structural issues that cause their debt to trade at a material discount to their credit fundamentals. The fund can also invest, to a lesser extent, in structured credit and equities.

In particular, the firm expects that opportunities will present themselves due to banks offloading more leveraged loans from their balance sheets as they continue to wind down their prop trading businesses – leading to a liquidity gap as dealers try to sell less frequently traded loans.

The new fund is structured as a private equity-style drawdown vehicle, and is yet to hold its first close, according to sources familiar with the strategy. MidOcean is targeting returns in the low-double digits for the fund.

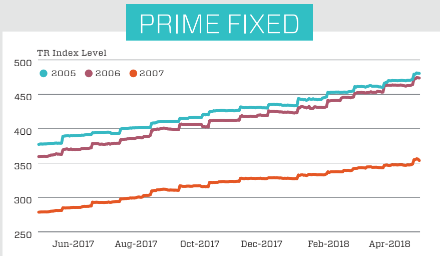
It is not clear how much money MidOcean expects to launch with, but the previous iteration of the strategy – MidOcean Tactical Credit Fund – raised around $300m when it launched in 2016.

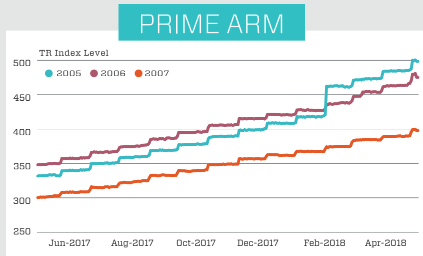
"The largest investors in the world just don't care about 20 or 25 million dollar blocks of paper," Steve Shenfeld, president of MidOcean, said, talking at the recent *Absolute Return* Symposium.

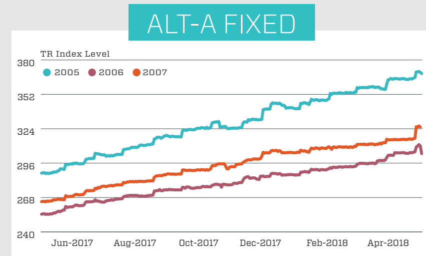
MidOcean Credit is based in New York, and is led by CIO Michael Apfel. As of February 2018, it has around $7.6bn in AuM across private funds, CLOs and separate accounts.

The firm also acts as sub-adviser to FS Multi-Strategy Alternatives, a '40 Act fund managed by FS Investments, and DB Platinum MidOcean Absolute Return Credit on Deutsche Bank's Ucits platform.

MidOcean declined to comment.







Pimco eyes CLO equity tranches for new fund strategy

Manager prepares CLO fund in wake of risk retention repeal

Fixed-income giant Pimco is raising a new fund targeting opportunistic CLO investments, *Alt Credit* has learned.

The $1.8trn manager has begun raising assets for the Pimco CLO Opportunities Fund, according to sources familiar with the matter, although a launch date has not yet been set.

The new fund will use a Cayman master/feeder structure to accommodate global investors, and has a flexible mandate to invest in both CLO debt and equity.

According to sources familiar with the strategy, the fund is expected to focus on primary equity tranches when the markets are tight, and secondary debt and equity investments when spreads widen.

The new strategy will be overseen by long-serving portfolio managers Giang Bui, Harin de Silva and Kristofer Kraus. The team is spread across Pimco's Newport Beach headquarters, New York and London.

CLO funding costs – and AAA spreads in particular – have plummeted in the past two years on the back of a prolonged loan bull market and rising demand from investors in Asia.

This year, some CLOs have priced with senior spreads below 100bps over Libor – more than 30bps tighter than at the same point last year.

In a recent white paper titled *A closer look at CLO equity*, Pimco made the case for CLO equity tranches, arguing that the twin benefits of locked-in, long-term financing and CLOs' reinvestment flexibility can help to mitigate or offset the impact of defaults in the loan market.

In support, the firm noted that equity tranches from CLOs issued in 2006 and 2007 – immediately before the financial crisis – have outperformed other CLO vintages.

Alongside recent spread tightening, CLO reinvestment periods have lengthened, with most new issue deals featuring five years of reinvestment, rather than the immediate post-crisis standard of four years.

In the past two years, CLO resets – refinancing deals which extend a deal's reinvestment period – have become widely accepted, adding an extra option for equity holders.

Pimco is also said to be eyeing opportunities to snap up tranches in the secondary market previously held as risk retention capital. Since the official repeal of risk retention rules earlier this year, managers including BlueMountain and Palmer Square have already begun offloading vertical strips in the secondary market.

Vertical retention pieces were often held with financing from banks, and typically cost managers a 50bps premium to the blended spread of the CLO's debt tranches.

SVB poaches Victory Park private debt pro

A senior investment professional at direct lender Victory Park Capital has left to join Silicon Valley Bank, *Alt Credit* has learned.

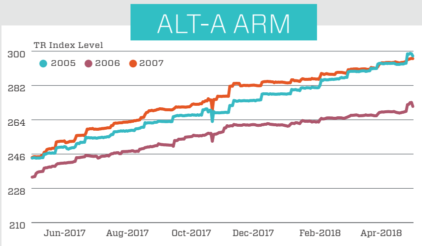
Zhengyuan Lu joined SVB recently as a managing director focused on credit fintech solutions, based in the firm's New York office.

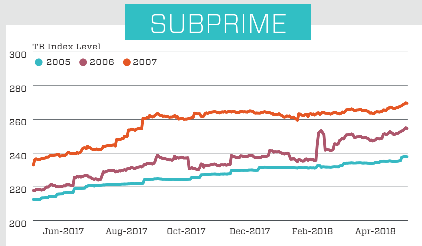
SVB is primarily known for banking technology and life science start-ups, and recently received authorisation from Canadian regulators for an expansion north of the border.

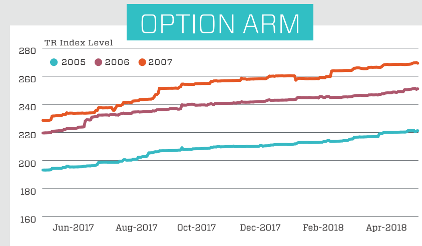
The move comes after a two-year stay at $3bn credit manager Victory Park, where he had worked as a principal responsible sourcing, executing and managing private debt and equity investments within the specialty finance sector.

Prior to joining Victory Park in 2016, he was head of capital markets at marketplace lender OnDeck, where he was responsible for managing the firm's crowdfunding platform OnDeck Marketplace. Before Victory Park, Zhengyuan was head of the asset financing group at Gleacher & Company, where he was responsible for investments in esoteric assets.

Earlier in his career, he held senior positions at several investment banks, including as head of structured products at Keefe, Bruyette & Woods (now Stifel Financial). He began his career at Credit Suisse First Boston.







Source: IHS Markit Data, RMBS Data

"SAUDI AMERICA"

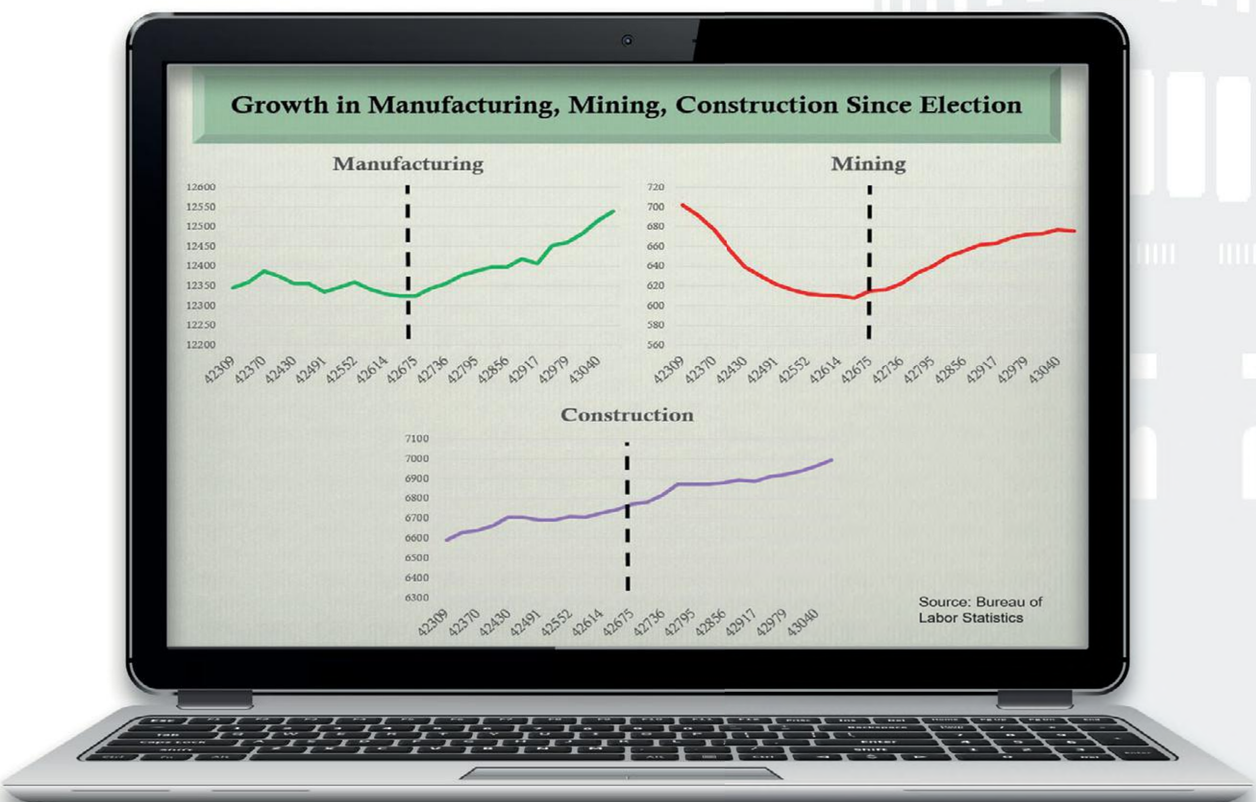
This part of *Alt Credit* is reserved for one or two charts that have caught the journalists' eyes.

This month's charts certainly did that. Below is a slide presented by Stephen Moore of The Heritage Foundation to IMN's Investor Conference on CLOs and Leveraged Loans. We assume the dashed line represents the divide between historic and numbers, or the date of Trump's inauguration. They were accompanied by some bold claims and soundbites, including the claim that America's shale production could see the USA become "the next Saudi Arabia".

Perhaps surprisingly, the charts did represent one half of the key themes of the conference. The majority of the panellists expressed optimism in the current direction of the US economy, and few saw any imminent catalyst for a major correction.

However, almost all the CLO managers expressed fears that loan covenants and lending standards were getting looser. Managers warned that this would make any turn in the cycle deeper and longer as lenders have less tools to push companies into early restructuring talks, which typically result in smaller losses for loan holders.

'Adjusted EBITDA' was the dirty word among CLO managers at the conference, "Saudi America" apparently was not.



BlueBay, Courage Capital in line for Nashville Metro tickets

BlueBay Asset Management, Accel-KKR and Courage Capital will share a $125m ticket from the $3.2bn Metropolitan Government of Nashville and Davidson County pension plan.

At their meeting on 5 June, the committee overseeing the defined benefit plan approved allocations of up to $80m to a BlueBay Direct Lending strategy, up to $25m to the Accel-KKR Growth Capital III fund and up to $20m to Courage Capital IV fund.

Recommended by NEPC, the allocations are part of Metro's $640m fixed income alternatives portfolio.

The BlueBay investment will be made through a separately managed account which will have $200m in capacity. The Accel-KKR fund provides senior equity to software and technology companies.

CIO Fadi BouSamra said that Metro had invested in the Growth Capital I and II funds.

Similarly, Metro had invested in two previous managed by Nashville-based Courage Capital funds, which focus on distressed corporate credit.

As of 31 March, Metro had a target allocation to fixed income alternatives of 15% of the portfolio.

The actual allocation at that time was 20.1%. The portfolio has generally outperformed its custom benchmark since inception in January 2009, according to NEPC's first quarter 2018 report.

Chicago Police ups allocations to credit

The $2.6bn Chicago Policemen's Annuity and Benefit Fund board has authorised follow-on allocations of $10m each to the Clareant European Direct Lending Fund and the Monroe Capital Private Credit Fund III.

Alcentra and Monroe Capital managed about $10m each in direct lending mandates, together making up about 2% of the fund's fixed-income portfolio.

CIO Aoifinn Devitt said in an email that the funds from which the PABF will redeem to fund the additional allocations are yet to be determined. The allocations are part of a push by the pension fund into private credit and cash-generating strategies, driven by a need for annual free cash flow.

In February 2017 the board doubled the pension fund's target allocation to private credit from 4%, reducing the hedge fund target to 5% from 7%.

The Chicago police pension uses NEPC as its general consultant.

NEWS IN BRIEF

The £15bn ($19.9bn) **London Collective Investment Vehicle** will allocate to a **CQS** strategy as part of a new £300m multi-asset credit allocation. The pooled vehicle represents London's 32 local authority pension funds.

The £20.7bn **Strathclyde Pension Fund** will invest £20m in a real estate finance fund being raised by **GAM**. The **GAM Real Estate Finance Fund II** had a first close in January and is targeting £350m in total. The Scottish local authority pension fund was previously invested in **Real Estate Finance Fund I**.

The **Texas County & District Retirement System** (TCDRS) has topped up its investment in the **CQS Directional Opportunities Fund** by $50m, according to an update on its website. The $29.6bn public pension disclosed the transaction on 1 June. It follows a $50m top-up made on 1 March. TCDRS first invested $100m in the multi-strategy fund managed by **Michael Hintze** on 1 December.

The $51bn **Teachers Retirement System of Illinois** in Springfield has made three hedge fund commitments totalling $525m, with Beach Point Capital receiving a $125m ticket, which will be part of the system's $10.4bn global fixed income portfolio.

INVESTOR ACTIVITY

APR-18

TOWN OF LEXINGTON RETIREMENT SYSTEM
AUM: $155m
CONSULTANT: Meketa Investment Group
ACTIVITY: Looking for senior direct lending manager. RFP deadline 18 May

AP1
AUM: $40bn
ACTIVITY: Looking for 'idiosyncratic' HFs such as structured credit

ERAFP
AUM: €30bn
CONSULTANT: Marquette Associates
ACTIVITY: Looking for SRI-compliant, emerging markets-focused credit manager. RFP deadline 24 May

KOREA POST INSURANCE
AUM: $45bn
CONSULTANT: Mirae Asset Management
ACTIVITY: Looking for 'overseas' HFs trading l/s equity, event-driven, credit, macro and CTA strats

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
AUM: $2.1bn
ACTIVITY: Searching for private markets consultant info. RFP deadline 11 May

MAR-18

LONDON BOROUGHS OF EALING, HAVERING, MERTON, LAMBETH AND WANDSWORTH
AUM: £4.5bn
CONSULTANT: bfinance/JLT
ACTIVITY: Searching for one or two private debt managers for $280m mandate

FEB-18

CHICAGO LABORERS' AND RETIREMENT BOARD EMPLOYEES' ANNUITY AND BENEFIT FUND
AUM: $1.2bn
CONSULTANT: Marquette Associates
ACTIVITY: Has issued an RFP for a hedged credit fund manager

50 SOUTH CAPITAL
AUM: $6.9bn
ACTIVITY: Looking for direct lending managers with AuM under $1bn for new FoHF

ILLINOIS STATE TEACHERS' RETIREMENT SYSTEM
AUM: $51.1bn
CONSULTANT: RVK

Louisiana Muni dumps $50m Guggenheim investment

The Louisiana Municipal Police Employees' Retirement System has decided to terminate a $50m investment in Guggenheim Partners and plans to search for a replacement.

The board for the $2bn pension agreed to axe Guggenheim's high-yield mandate during its 16 May board meeting, executive director Ben Huxen told sister publication *MMR*.

Consultant NEPC recommended the move.

The retirement system had tweaked its fixed income targets in February and had cut the target allocation for high-yield bonds by one percentage point to 2%.

The police fund will roll out an RFP for a high-yield manager and expects to make a selection by its October board meeting, according to Huxen.

Guggenheim has had a difficult few months, dogged by an SEC examination, reports of discord among senior management and allegations of putting company interests ahead of clients.

It has been terminated by three large funds since March 2018, according to FundMap data.

Consultant RVK recommended that the board of $27.6bn Texas Municipal Retirement System terminated the manager for its collateralised loan obligations (CLO) mandate.

The $777.5m Merced County Employees Retirement System replaced Guggenheim with Vanguard for a $36m mandate, and the manager lost its $180m core plus fixed income account with the $3.1bn Santa Barbara County Employees Retirement System in April, based on RVK's recommendation.

The $305bn firm is also being watched by several investors, including the University of Maine Systems, the $2.6bn Sonoma County Employees' Retirement Association, the $4.2bn Vermont Pension Investment Committee and the $957m St. Paul Teachers Retirement System.

The latter placed the manager on its list for "organisational changes".

Representatives for NEPC, RVK and Guggenheim did not respond to a request for comment.

Michigan university invests $25m in Kayne Anderson

The University of Michigan has invested $25m in the Kayne Anderson CLO Partners Fund I, it has disclosed.

The $11.8bn endowment approved the ticket in December 2017 and disclosed the transaction in an update to its board on 17 May.

The fund invests in the equity tranches of Los Angeles-headquartered Kayne Anderson's CLOs, according to a memo seen by *Alt Credit*.

The strategy was set up to comply with recent CLO regulations, which require managers to hold 5% of each CLO they issue, and is a "natural extension" of the firm's existing credit funds.

The fund "requires careful security selection of levered loans, and relies on credit analysis and avoiding credit losses," UoM CFO Kevin Hegarty wrote in the memo.

UoM, an active credit investor, is also invested in other products managed by $26bn Kayne Anderson. In December it also committed $60m to Kayne Anderson Energy Fund VIII, an energy fund investing in small and mid-cap oil and gas exploration and production companies.

In March, the university committed €60m ($74m) to direct lending start-up Apera Capital's Private Debt Fund I SCSP.

ACTIVITY: Searching for private debt consultant

NOV-17

FIREFIGHTERS' RETIREMENT SYSTEM OF LOUISIANA
AUM: $1.6bn
CONSULTANT: NEPC
ACTIVITY: Has issued an RFP for an unconstrained absolute return fixed income manager to run a $60m mandate. Deadline 24 November

OCT-17

LONDON BOROUGH OF EALING
AUM: £6.1bn collectively
ACTIVITY: Alongside four other local authorities, the London Borough of Ealing is searching for a consultant to assist with private debt search

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
AUM: $31bn
CONSULTANT: Wilshire Consulting
ACTIVITY: Is opening its entire active manager portfolio to a new search based on alpha delivered within the system's risk budget, rather than by asset class

ORANGE COUNTY EMPLOYEES' RETIREMENT SYSTEM
AUM: $14.4bn
CONSULTANT: Pension Consulting Alliance
ACTIVITY: Has issued an RFP for an illiquid investment consultant. RFP deadline 31 October

BOSTON RETIREMENT SYSTEM
AUM: $4bn
CONSULTANT: NEPC
ACTIVITY: Is searching for managers to run a $45m private markets mandate. RFP deadline 31 October

SEP-17

BRUNEL PENSION PARTNERSHIP
AUM: £28bn
ACTIVITY: Looking to invest £1bn in private debt amid a wider £4bn spend in private markets. Also looking to hire a head of private markets to design, develop, implement and manage its investments

AUG-17

CATHOLIC SUPER
AUM: A$7.5bn
ACTIVITY: The superannuation scheme looking for North America-focused debt managers, including direct lending and distressed strats

TOKIO MARINE ASSET MANAGEMENT
AUM: $56bn
ACTIVITY: Looking for North America- and Europe-focused direct lending and mezzanine debt funds

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Recon

Cash Master

Security Master

Price Master

Polaris

Raptor

Treasury

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Highly quoted euro bonds drop to three when PIGS (yields) fly

Chris Fenske, co-head of fixed income pricing research at IHS Markit, discusses dealer quote depth in Italy's wake

On 29 May, the combination of Italian President Mattarella's decisions to block the appointment of Eurosceptic Savona as the M5S-Lega's choice of finance minister, and Spain's no confidence vote to remove the PP minority administration, triggered the sharpest one-day increase in two-year Italian government bond yields in history.

The event led to a rapid flight to quality globally, with US, UK and German government bonds ending the day sharply higher, and bonds issued by Portugal, Greece and Spain selling off due to contagion fears. The risk-off theme that day was also apparent in the drop of the daily number of deep quote depth (quoted by 20 or more dealers) euro-denominated bonds, as it declined below the month's average of about 116 bonds per day to only three corporate issues.

It is possible that the market had initially telegraphed its concern over Italy's political uncertainty on 7 May, which was the only non-holiday trading session during the month when there were no euro-denominated bonds quoted by 20 or more dealers. That day coincided with the announcement of Italy's Five Star Movement ending efforts to form a coalition government, and triggering new elections for later this year. This evaporation in bonds with deep quote depths came only a few days after its peak of 281 bonds quoted by 20 or more dealers on 2 May.

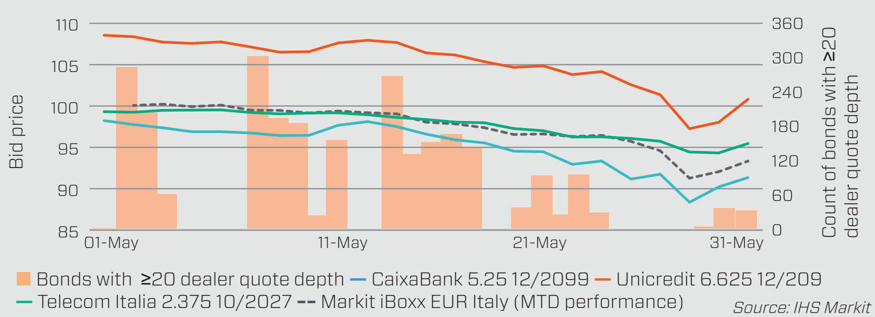
There was a similar drop in high quote depth bonds on the day of the Brexit announcement on 24 June 2016, as there were only five bonds quoted by 20 or more dealers that day. Those five bonds were all issued by top-tier European investment banks, which gave the appearance that bond market makers were reacting to a broader flight to quality and were more comfortable quoting higher quality credits. In comparison, the only three bonds with deep quote depths on 29 May of this year were the Spanish CaixaBank 5.25 12/2099 issue, and the Italian Unicredit 6.625 12/2099 and Telecom Italia 2.375 10/2027 issues, which were all steadily declining in price since mid-May. The line graph in Figure 1 shows the daily bond prices in May for the three issues alongside the Markit iBoxx EUR Italy sovereign benchmark index month-to-date normalised performance (May opening level set to 100), while the bar graph shows the count of EUR bonds with a daily quote depth of 20 or more dealers. The graph highlights both the drop in the number of widely quoted bonds during the week of 21 May, which could be an indication of declining liquidity ahead of the US Memorial Day holiday, as well as all three bonds closing at their lowest point of the month on 28 May (the day prior to the significant sell-off in Italian government bonds).

Figure 2 shows the daily number of dealers quoting each issue during the month, with trading days with ≤3 EUR bonds with high quote depths highlighted. All three issues were typically quoted by roughly 20 dealers a day on normal days, with the Telecom Italia issue often being quoted by more dealers than the other three. We note that the low quote depths on 1 May and 28 May both coincide with a European and a US holiday respectively, which is likely the main driver for the drop off in liquidity those days despite some major markets still being open.

The review of dealer quote data will not provide the fundamental or technical drivers behind price action, but they can shed a light of the short list of bonds that dealers are comfortable quoting during times of extreme market distress. Even in normal market conditions, the data can be used to identify a subset of more liquid bonds for a more extensive analysis, because at the very least one does know that they are likely able to buy or sell an issue quoted by 20 or more dealers on a given day, so the credit work may not be in vain.

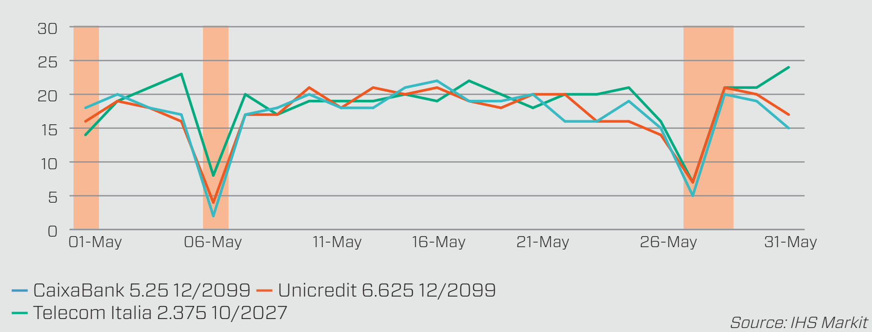
CORRECTION: Last month's article entitled "Non-lethal links in the defence sector's supply chain" incorrectly stated that the 2018 US procurement budget 4% of global military procurement. The true figure is 42.3%.

F1: Bid price vs quote depth



Source: IHS Markit

F2: Number of dealer quotes



Source: IHS Markit

Data supplied by *HFM Global*

April in hedge fund performance

Positive streaks continue for North American and European indices **by Michael Rodwell**

Our European and North American credit indices posted their fourth rise of the year in April, gaining 0.6% and 0.7%, respectively. This extends the positive streak of our North American Credit index to 26 months and our European composite to 22 months. Our Fixed Income indices posted a 0.3% rise after a difficult couple of months for European funds. The MBS index was up 0.5%, taking year-to-date performance to 2%. The only detractor in our credit indices was Emerging Markets debt which lost 0.7%, for the month, although, our Latin American index gained 2.8% meaning losses came from elsewhere.

> Westfield Fund went straight to the top of our credit ranking this month. The fund has returned 9.4% in the three months to April"

Top performing

Westfield Fund, a new entrant, went straight to the top of our credit ranking this month. The fund has returned 9.4% in the three months to April and invests across the credit spectrum. Westfield Management was founded by former Goldman Sachs fixed income managing director Renyuan Gao, in 2015, with about $30m and asset have grown to over $140m.

Distressed specialist Schultze Asset Management offset two months of losses by returning 17.6% in April. This leaves the Offshore shares of the $120m fund up 11.6% YTD through to April.

New funds

This month we also welcomed Saba Capital to our rankings. The firm was spun out from Deutsche Bank in 2009 by former youth chess pro and Deutsche Bank managing director, Boaz Weinstein. Weinstein became the youngest MD in Deutsche Bank's history, at just 27, after making the prop desk an estimated $1.8bn. However, after incurring heavy losses during the 2008 financial crisis, Weinstein left to set up Saba Capital at 36 years of age. Interestingly, Weinstein also reportedly won a Maserati at a poker tournament organised by Warren Buffett.

The firm has had mixed returns since its launch. The relative value and arbitrage focused master fund enjoyed initial success and the firm's assets peaked at $5.5bn in early 2013. However, quantitative easing and tightening credit spreads has limited opportunities and this, in turn, has affected returns and assets have dropped to about $1.7bn. The Master Fund has returned an annualised compound return of 2.2% since inception. Yet, volatility creeping back into the markets could create a positive backdrop for Weinstein, whom some believe to be the best credit trader in the world.

We also added two new funds to our fixed income indices. First, the Ewing Morris Flexible Income Fund was launched in February 2016 and has returned 25.8% from inception through to April 2018. Within this period, the fund has only posted two negative months and assets currently stand at about $53m. The strategy focuses on the high yield bond market and uses equity shorts to limit risk. Secondly, the Nordic Rates Opportunity Fund invests in Nordic covered bonds and debt securities. The fund was launched in December 2017 by Nordea Investment Funds and has approximately $123m in assets.

In the Ucits space we started tracking two BlackRock funds, the European Credit Strategies Fund and Global Absolute Return Bond Fund. We also added Ellipsis Asset Management's, Ellipsis Polaris Credit Fund, a long/short credit fund focused on European bond arbitrage. Ellipsis is the fixed income arm of Exane Group.

If you would like to ensure your fund is included in our performance tables, please contact Siobhan Hallissey on +44 (0)207 832 6677 or at shallissey@hedgefundintelligence.com

TOP FUNDS FOR APRIL

CREDIT
6.7%
$119m
Westfield Fund

CONVERTIBLE ARBITRAGE
0.9%
$502m
Castle Creek Arbitrage

FIXED INCOME
4.7%
$44m
Old West Income Fund

MBS
2.1%
$355m
GS Gamma Investments

DISTRESSED
17.6%
$120m
Schultze Partners Offshore Fund

FOHF
1.8%
$21m
HI Numen Bear Rates Fund

UCITS
1.3%
$12m
Tungsten SHY Synthetic High Yield

Top 20 Credit YTD

#	Fund Name	AUM ($m)	YTD	April	Last 3 months	Last 6 months	Last 12 months	Annualised compound	Inception date
1	Libertas Real Asset Opportunities Fund	Undisclosed	29.8%	-4.6%	32.0%	1.1%	-44.8%	-22.5%	Jun-14
2	Old West Income Fund	44	20.7%	4.7%	18.2%	22.3%	14.8%	9.2%	Dec-08
3	Alaska Black FIC FIA II	68	18.5%	1.4%	10.1%	29.9%	62.6%	65.3%	Jan-17
4	Aegea Absolute Return Fund	84	16.5%	-2.3%	13.7%	13.3%	1.6%	1.1%	Sep-11
5	Bahia AM Long Biased FIC de FIM	41	13.8%	2.3%	6.2%	14.0%	27.5%	25.8%	Dec-15
6	Schultze Partners Offshore Fund	120	11.6%	17.6%	1.0%	18.5%	31.8%	5.7%	Apr-04
7	Opportunity Selection	27	10.8%	-0.3%	1.3%	12.3%	25.3%	7.5%	Apr-11
8	GS Gamma Investments	355	10.8%	2.1%	5.8%	10.2%	9.3%	10.4%	Apr-04
9	Opportunity Logica II	79	10.2%	1.4%	0.2%	12.6%	17.6%	17.3%	Jun-96
10	Cross Sound Distressed Opportunities Fund	88	9.6%	-1.2%	6.8%	37.1%	32.8%	35.0%	May-16
11	Westfield Fund	119	9.5%	6.7%	9.4%	13.5%	16.4%	27.3%	Nov-15
12	Metacapital Rising Rates	225	9.4%	2.0%	3.0%	7.0%	4.7%	1.6%	May-13
13	Cedar Ridge Investors Fund I	113	9.3%	4.7%	5.6%	2.8%	-10.8%	7.6%	May-04
14	Ben Oldman Special Situations Fund	206	8.4%	1.2%	3.8%	9.6%	9.4%	19.4%	Jul-13
15	Serenitas Credit Gamma Master Fund	76	8.3%	3.1%	7.2%	9.3%	22.2%	13.8%	Jan-13
16	South Easter Fixed Interest Fund	2	7.8%	-1.6%	4.9%	15.4%	19.3%	9.0%	Nov-05
17	ARX Long Term FIC FIA	28	7.7%	-1.7%	-2.2%	5.6%	5.7%	15.8%	Sep-08
18	Istanbul Portfoy Aries Hedge Fund	15	7.4%	1.1%	4.7%	11.9%	23.0%	12.9%	Jan-13
19	Credit Opportunity Fund	34	7.4%	1.9%	3.7%	9.4%	9.9%	8.6%	Sep-15
20	Metacapital Mortgage Opportunities Master Fund	473	7.0%	1.5%	2.9%	3.4%	2.4%	23.2%	Jul-08

Fund in focus

Northlight's Credit Opportunity Fund

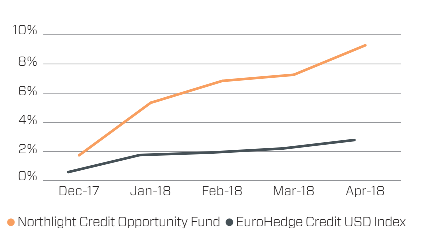
Northlight's Credit Opportunity Fund returned +7.41% through the end of April 2018. The Fund applies Northlight's successful European fundamental credit investment strategy to a wider opportunity set, providing a higher risk/return profile and achieved through greater portfolio concentration than the original Northlight European Fundamental Credit Fund. This latter Fund also had a good start to the year, returning +4.72% during the same period, extending its track record of nine consecutive years of positive uncorrelated returns.

London-based Northlight was founded in 2009, assembling one of the most experienced teams in European high yield corporate debt. The PMs - Cyril Armleder, Charles-Henri Lorthioir and Shahar Zer – previously held senior trading and portfolio management roles at Goldman Sachs, Lehman Brothers and GLG Partners.

Northlight's long/short credit funds aim to generate attractive liquidity-adjusted absolute returns, through investments in the European high yield credit market using extensive bottom-up fundamental analysis to identify attractive investment opportunities with catalysts. Capital is allocated to high conviction investments through long, short, event-driven, relative value and trading investment strategies. Market and tail risks are managed using trading and macro strategies.

Monetary policy normalisation, higher interest rate risk and market volatility, coupled with a lower risk tolerance to idiosyncratic events, has created a more complicated investment environment and a noticeable increase in dispersion and investment opportunities in Europe.

The BB segment and lower yielding bonds - with a higher sensitivity to interest rates than higher yielding/lower rated bonds - are directly affected by this market development. The dynamic is further exposed by dealers' untested



capacity to recycle sustained outflows from traditional long-only high yield investors who absorbed a significant share of the supply of new issues over the last years. Recent sovereign volatility driven by Italian politics further evidenced liquidity risk.

Northlight also sees a growing number of compelling short opportunities in companies with broken business models and/or (re)financed in the over-exuberance of recent years that are now showing signs of weakness or unsustainable capital structures.

Data supplied by *HFM Global*

Top 50 Credit l/s funds

#	Fund Name	AUM ($m)	Last 3 months	April	Last 6 months	Last 12 months	YTD	Annualised compound	Inception
1	Westfield Fund (Cayman)	119	9.4%	6.7%	13.5%	16.4%	9.5%	27.3%	Nov-15
2	Serenitas Credit Gamma Master Fund	76	7.2%	3.1%	9.3%	22.2%	8.3%	13.8%	Jan-13
3	Northlight Credit Opportunity Fund	34	3.7%	1.9%	9.4%	9.9%	7.4%	8.6%	Sep-15
4	Cheyne Active Credit Fund	75	3.7%	1.6%	5.8%	6.9%	4.8%	8.5%	May-14
5	Selwood Asset Management Credit Opportunity Fund 1	196	3.4%	1.8%	9.9%	24.2%	4.6%	22.3%	Mar-17
6	Polo FII Recebíveis Imobiliários I	25	3.0%	0.7%	6.2%	6.1%	4.0%	14.6%	Oct-11
7	Metacapital Rising Rates	225	3.0%	2.0%	7.0%	4.7%	9.4%	1.6%	May-13
8	Wasserstein Debt Opportunities	156	2.8%	-0.4%	12.0%	22.2%	5.9%	12.7%	May-13
9	Black Diamond Credit Strategies Master Fund	610	2.7%	1.1%	5.4%	9.0%	4.0%	18.0%	Aug-09
10	400 Capital Credit Opportunities Fund	1,900	2.7%	1.0%	6.4%	13.8%	4.5%	14.0%	Feb-09
11	Northlight European Fundamental Credit Fund	332	2.7%	0.8%	5.6%	6.2%	4.7%	6.6%	Dec-09
12	Bayview Liquid Credit Strategies Fund	540	2.7%	0.9%	6.0%	12.8%	3.9%	10.5%	Apr-15
13	Serone Key Opportunities Fund USD Composite	259	2.7%	2.0%	7.1%	17.9%	5.3%	14.8%	Sep-13
14	Altum Credit European Master Fund	46	2.6%	0.8%	7.6%	14.2%	4.5%	10.1%	May-13
15	Hellebore Credit Arbitrage	189	2.6%	-0.1%	2.8%	3.5%	2.5%	13.7%	Feb-14
16	LNG Europa Credit Fund	Undisclosed	2.5%	5.3%	10.1%	29.0%	6.9%	5.9%	Apr-11
17	Selwood Asset Management Liquid Credit Fund	702	2.5%	1.3%	5.7%	12.1%	3.3%	11.9%	Sep-15
18	Pier Special Opportunities Fund	Undisclosed	2.4%	0.6%	7.6%	n/a	4.5%	14.9%	Jun-17
19	OWS Credit Opportunity Master Fund.	1,504	2.4%	0.9%	6.9%	14.0%	5.0%	10.6%	Jan-11
20	Altum Credit Master Fund	907	2.3%	0.7%	7.1%	13.8%	4.3%	15.7%	Jul-09
21	Millstreet Credit Fund	438	2.2%	1.0%	16.2%	29.0%	5.4%	9.8%	Jun-10
22	Axonic Credit Opportunities Funds	1,005	2.2%	0.9%	3.8%	7.3%	2.9%	15.3%	Apr-09
23	Medalist Partners Harvest Fund	881	2.1%	0.7%	4.7%	11.1%	3.3%	8.9%	Aug-12
24	BK Opportunities Fund IV	135	2.1%	1.3%	5.3%	n/a	4.5%	14.8%	Jun-17
25	Brevan Howard Securitized Products Master Fund	173	2.0%	0.7%	2.8%	11.6%	2.6%	11.6%	Dec-16
26	Ovation Alternative Income Fund	504	2.0%	0.8%	2.0%	4.7%	2.7%	10.0%	Jan-14
27	SCIO-Fund SICAV-FIS SCIO Opportunity Fund I	38	2.0%	1.1%	2.9%	6.0%	2.1%	6.0%	Apr-16
28	Clareant Structured Credit Opportunity Fund II	596	2.0%	0.5%	4.8%	12.3%	3.0%	22.7%	Feb-11
29	One William Street Capital Master Fund	2,023	2.0%	0.7%	5.1%	13.5%	3.5%	10.1%	Apr-08
30	Cheyne Real Estate Credit Holdings Fund II	2,453	1.9%	0.6%	4.6%	8.6%	2.6%	5.6%	Apr-13
31	Swiss ALP Constant Cash Yield I	57	1.8%	0.6%	3.6%	7.2%	2.4%	7.2%	May-13
32	CQS ABS Fund - B1 USD	1,269	1.8%	0.3%	5.4%	12.1%	4.3%	18.0%	Oct-06
33	PIMCO Global Credit Opportunity Fund	3,733	1.8%	-0.3%	3.3%	4.9%	3.8%	6.6%	Jun-06
34	Swiss ALP Constant Cash Yield Diversified	94	1.8%	0.6%	3.4%	7.1%	2.3%	7.1%	Apr-15
35	Hudson Cove Credit Opportunity Fund	281	1.7%	0.7%	3.7%	9.5%	2.4%	13.5%	Sep-09
36	SCIO-Fund SICAV-FIS SCIO Partners Fund II	69	1.7%	0.6%	3.5%	7.0%	2.3%	7.0%	Nov-13
37	Silverback Arbitrage Fund	244	1.7%	1.6%	4.1%	5.1%	2.2%	8.6%	May-13
38	HC European Trade Finance Fund SICAV	Undisclosed	1.7%	0.5%	3.0%	6.2%	2.2%	6.4%	Oct-12
39	BAF Latam Credit Fund	585	1.6%	0.5%	3.3%	6.7%	2.2%	8.0%	Aug-14
40	CQS ABS Fund - B1 GBP	See USD class	1.6%	0.2%	4.9%	11.1%	3.9%	9.2%	Jan-10
41	East Lodge Capital Credit Opportunities	1,075	1.6%	0.1%	4.6%	11.4%	3.3%	5.0%	Apr-14
42	Omni Secured Lending Fund III	703	1.6%	0.1%	4.0%	7.8%	2.2%	8.0%	Apr-16
43	IIG Global Trade Finance Fund	288	1.5%	0.5%	3.1%	n/a	2.1%	6.4%	Jun-17
44	Arena Short Duration High Yield Fund	614	1.5%	1.2%	3.7%	8.5%	2.7%	7.2%	May-14
45	BulwarkBay Credit Opportunities Fund	25	1.5%	0.9%	3.3%	9.7%	2.5%	4.5%	N/A
46	Mill Hill Credit Opportunities Fund	Undisclosed	1.5%	0.1%	3.9%	7.8%	1.6%	8.6%	Nov-16
47	Symphony Long Short Credit Fund	743	1.5%	1.4%	2.9%	2.9%	1.7%	9.8%	Jul-00
48	NorthStream Credit Strategies Fund	Undisclosed	1.5%	0.7%	5.1%	10.1%	2.8%	15.2%	May-16
49	Polo High Yield I FIC FIM	73	1.5%	0.4%	3.6%	14.5%	2.5%	26.9%	Mar-16
50	MidOcean Absolute Return Credit Fund	435	1.4%	1.0%	3.0%	4.7%	2.6%	6.3%	Feb-10

Top 10 Convertible arb funds

#	Fund Name	AUM ($m)	Last 3 months	April	Last 6 months	Last 12 months	YTD	Annualised compound	Inception
1	Aegea Absolute Return Fund	84	13.7%	-2.3%	13.3%	1.6%	16.5%	1.1%	Sep-11
2	Wolverine Flagship Fund	1,839	2.8%	0.8%	5.1%	9.5%	3.9%	7.9%	Sep-01
3	Yield Strategies Fund II	88	1.5%	0.4%	2.5%	6.0%	1.9%	8.7%	Jul-93
4	Trium Credere Fund Ltd	Undisclosed	1.4%	0.6%	3.0%	n/a	1.8%	7.6%	Sep-17
5	Castle Creek Arbitrage	502	1.1%	0.9%	1.4%	2.3%	1.5%	6.8%	Jan-02
6	Boussard & Gavaudan Fund	4,110	0.7%	-0.4%	0.9%	2.5%	1.5%	6.9%	Mar-03
7	Whitebox Relative Value Partners	782	0.5%	-0.2%	1.2%	4.6%	1.2%	16.9%	Jan-01
8	Advent Global Partners	184	-0.1%	-0.2%	1.1%	3.5%	0.5%	6.8%	Oct-96
9	CQS Global Convertible Arbitrage Fund	419	-0.7%	0.4%	0.9%	2.8%	0.8%	4.2%	Jul-14
10	Symphonia Arbitrage	42	-0.7%	0.6%	-1.4%	-0.7%	-0.4%	2.7%	Nov-04

Top 10 Fixed income funds

#	Fund Name	AUM ($m)	Last 3 months	April	Last 6 months	Last 12 months	YTD	Annualised compound	Inception
1	Old West Income Fund	44	18.2%	4.7%	22.3%	14.8%	20.7%	9.2%	Dec-08
2	Alaska Black FIC FIA II	68	10.1%	1.4%	29.9%	62.6%	18.5%	65.3%	Jan-17
3	Bahia AM Long Biased FIC de FIM	41	6.2%	2.3%	14.0%	27.5%	13.8%	25.8%	Dec-15
4	Cedar Ridge Investors Fund I	113	5.6%	4.7%	2.8%	-10.8%	9.3%	7.6%	May-04
5	Matrix NCIS Fixed Income Retail Hedge Fund	168	5.5%	-0.6%	14.6%	13.8%	6.7%	17.2%	Oct-08
6	South Easter Fixed Interest Fund	2	4.9%	-1.6%	15.4%	19.3%	7.8%	9.0%	Nov-05
7	Istanbul Portfoy Aries Hedge Fund (IIP)	15	4.7%	1.1%	11.9%	23.0%	7.4%	12.9%	Jan-13
8	Kondor Long Short FIM	81	4.5%	1.2%	8.0%	14.9%	7.0%	13.3%	Sep-10
9	Investec Asset Management Fixed Income Hedge Fund	4	3.7%	0.2%	6.6%	12.5%	4.6%	11.1%	Apr-04
10	LMR Alpha Rates Trading Fund	2,200	3.6%	0.5%	5.3%	9.2%	5.1%	13.2%	Jun-14

Top 10 Distressed funds

#	Fund Name	AUM ($m)	Last 3 months	April	Last 6 months	Last 12 months	YTD	Annualised compound	Inception
1	Cross Sound Distressed Opportunities Fund	88	6.8%	-1.2%	37.1%	32.8%	9.6%	35.0%	May-16
2	Dalton High Yield Mortgage Fund	62	4.0%	1.0%	7.7%	8.4%	4.9%	14.8%	Jun-10
3	Ben Oldman Special Situations Fund	206	3.8%	1.2%	9.6%	9.4%	8.4%	19.4%	Jul-13
4	Mudrick Distressed Opportunity Fund	1,200	3.1%	-0.2%	5.8%	4.7%	-0.1%	8.7%	Jul-09
5	ASM Connaught House Fund	252	2.9%	1.0%	9.5%	13.7%	4.4%	8.3%	Oct-13
6	Clareant Global Special Situations Fund - EUR Class III	428	2.9%	0.8%	4.4%	8.6%	5.0%	7.1%	Nov-07
7	Caius Capital Master Fund	351	2.6%	2.3%	7.1%	16.0%	3.8%	23.8%	Oct-16
8	Hof Hoorneman Phoenix Fund	121	1.9%	2.2%	4.9%	9.4%	5.5%	1.2%	Jan-07
9	Ironshield Special Situations Fund Liquid Strategy USD	253	1.5%	0.8%	2.8%	9.5%	2.3%	8.9%	Aug-07
10	Cross Sound Distressed Opportunities Fund	161	1.5%	0.6%	3.9%	6.0%	2.9%	6.3%	Jan-17

Data supplied by *HFM Global*

Top 10 Credit FoHF

#	Fund Name	AUM ($m)	Last 3 months	April	Last 6 months	Last 12 months	YTD	Annualised compound	Inception
1	TriAlpha Enhanced Fixed Income Hedge Fund	20	2.8%	0.4%	5.3%	9.7%	3.7%	8.4%	Aug-07
2	Corbin Opportunity Fund	882	2.4%	0.6%	4.9%	6.8%	3.1%	13.2%	Dec-08
3	Fundamental Credit	39	1.6%	0.4%	4.3%	8.4%	2.4%	12.2%	Jan-09
4	Lighthouse Credit Opportunities Fund	183	1.5%	1.2%	3.8%	5.6%	2.7%	6.5%	Jan-03
5	Kempen Diversified Structured Credit Pool	137	1.3%	0.5%	3.2%	6.6%	2.1%	6.3%	Apr-17
6	Thalia Alternative Sicav Fixed Income H	17	0.9%	0.3%	3.0%	3.4%	2.0%	4.1%	Apr-04
7	Stenham Credit Opportunities USD	Undisclosed	0.4%	0.9%	3.2%	7.8%	2.1%	3.0%	Jan-13
8	Core Classic Fund	69	0.4%	0.6%	3.1%	5.0%	1.9%	3.1%	Dec-05
9	Pleiad Credit Opportunities I	598	0.2%	0.6%	3.3%	6.8%	1.9%	3.5%	Dec-05
10	Sandalwood Special Credit Opportunities Fund	89	-0.3%	0.2%	3.0%	5.7%	1.1%	6.4%	Dec-08

Top 10 MBS funds

#	Fund Name	AUM ($m)	Last 3 months	April	Last 6 months	Last 12 months	YTD	Annualised compound	Inception
1	Libertas Real Asset Opportunities Fund	Undisclosed	32.0%	-4.6%	1.1%	-44.8%	29.8%	-22.5%	Jun-14
2	GS Gamma Investments	355	5.8%	2.1%	10.2%	9.3%	10.8%	10.4%	Apr-04
3	Metacapital Mortgage Opportunities Master Fund	473	2.9%	1.5%	3.4%	2.4%	7.0%	23.2%	Jul-08
4	Semper MIDAS Fund	146	2.8%	0.9%	4.8%	12.7%	3.8%	11.7%	Apr-11
5	SPM Structured Servicing Holdings Master Fund	708	2.3%	0.8%	5.9%	12.2%	3.6%	21.6%	Feb-98
6	Seer Capital Partners Fund	643	2.1%	1.0%	5.0%	9.8%	3.3%	10.2%	May-09
7	Credit Suisse Securitized Products Master Fund	2,073	2.1%	0.9%	3.5%	7.3%	2.8%	10.7%	Dec-11
8	Metacapital Mortgage Value Fund	34	2.1%	1.2%	2.4%	2.2%	3.5%	6.4%	May-12
9	Ellington Credit Opportunities Fund	2,200	2.1%	1.0%	2.9%	5.7%	3.2%	11.6%	May-08
10	MatlinPatterson Securitized Credit Fund	416	1.9%	0.2%	2.2%	6.6%	1.8%	9.5%	Apr-08

Top 10 EMD funds

#	Fund Name	AUM ($m)	Last 3 months	April	Last 6 months	Last 12 months	YTD	Annualised compound	Inception
1	North Emerging Markets Fund	44	7.4%	-1.2%	3.9%	8.0%	4.1%	8.5%	Apr-11
2	Pharo Africa Fund	284	4.1%	1.4%	10.8%	22.4%	6.5%	8.6%	Feb-13
3	Promeritum Fund SPC	271	1.7%	-0.1%	3.9%	8.9%	2.8%	11.2%	Jan-15
4	The Emerging Market Credit Alpha Fund	245	1.6%	0.9%	2.3%	9.7%	4.9%	6.8%	Nov-11
5	Bozano Rendimento FI RF	3	1.3%	0.5%	2.9%	7.4%	1.9%	10.3%	Sep-10
6	Pharo Trading Fund	543	0.7%	-2.3%	9.9%	20.2%	6.0%	12.2%	Dec-00
7	Marathon Global Emerging Markets Fund	245	0.7%	0.5%	3.6%	7.3%	2.6%	4.5%	Jan-14
8	FPP GEMs Bond Fund	19	-0.2%	-1.5%	4.7%	12.5%	1.1%	4.3%	Jan-03
9	First Geneva Global High Yield Fund	193	-0.2%	0.1%	3.4%	13.1%	1.9%	8.3%	Sep-12
10	Pharo Gaia Fund Ltd	4,555	-0.2%	-1.2%	6.7%	16.3%	3.7%	14.7%	Dec-08

Email shallissey@hedgefundintelligence.com to ensure your fund is considered when our data team puts together our monthly rankings and fund of the month selection

Top 15 Ucits funds

#	Fund Name	AUM ($m)	Last 3 months	April	YTD
1	Melchior Credit Risk Premia Fund	10	1.1%	0.5%	1.7%
2	Butler Credit Opportunities UCITS Fund	182	0.9%	1.0%	1.5%
3	Wyetree North American ABS Fund	Undisclosed	0.7%	0.6%	1.8%
4	XAIA Credit Curve Carry	62	0.6%	0.2%	1.4%
5	Norron Premium	120	0.5%	0.4%	0.7%
6	BayernInvest Arena Bond Fund	133	0.4%	0.6%	0.7%
7	Alpha UCITS Fair Oaks Dynamic Credit Fund	603	0.4%	-0.2%	0.8%
8	Robus Mid-Market Value Bond Fund	265	0.3%	-0.1%	0.6%
9	Sphereinvest Global Credit Strategies Fund	82	0.2%	0.4%	0.7%
10	Alpha UCITS Fair Oaks Dynamic Credit Fund	603	0.2%	-0.2%	0.6%
11	AQA Credit Strategies Fund	8	0.1%	1.0%	0.2%
12	HI Numen Credit Fund	472	0.1%	0.0%	1.6%
13	Tikehau Income Cross Assets	426	0.1%	-0.1%	-0.6%
14	XAIA Credit Basis	1,271	0.1%	0.0%	0.6%
15	PGIM Multi-Asset Credit Fund	27	0.1%	0.7%	1.1%

Top 20 '40 Act funds

#	Name	AuM ($m)	Last 3 months	April	YTD
1	Putnam Mortgage Opportunities	2,667	2.2	1.2	3.2
2	Cedar Ridge Unconstrained Credit	603	1.8	2.0	2.3
3	Columbia Mortgage Opportunities	220	1.7	1.2	3.7
4	BlackRock Allocation Target	863	1.4	1.6	4.0
5	Semper MBS Total Return	12,633	1.3	0.5	2.2
6	Russell Inv Unconstrained	4,463	1.1	0.4	1.6
7	Putnam Diversified Income	21,653	1.0	0.8	2.9
8	Russell Inv Unconstrained	2,673	1.0	0.4	1.5
9	PIMCO Unconstrained Tax Managed	368	1.0	0.3	2.0
10	Arbitrage Credit Opportunities	102	1.0	0.2	1.8
11	GMO Opportunistic Income	11,851	1.0	0.0	1.1
12	Putnam Fixed Income Absolute Return	71	0.9	0.4	2.1
13	Lazard Enhanced Opportunities	189	0.7	0.0	0.8
14	Loomis Sayles Strategic Alpha	9,410	0.7	0.5	1.5
15	Bramshill Income Performance	1,951	0.5	1.2	1.0
16	Voya Strategic Income Opportunities	1,122	0.5	0.3	0.9
17	BrandywineGLOBAL Alternative Credit	1,066	0.5	0.7	1.5
18	Putnam Absolute Return 100	4	0.5	0.3	1.0
19	Arrow Dynamic Income	297	0.5	1.7	0.9
20	Prudential Global Absolute Return Bond	17	0.5	0.2	1.4

* '40 Act data supplied by Morningstar Direct

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