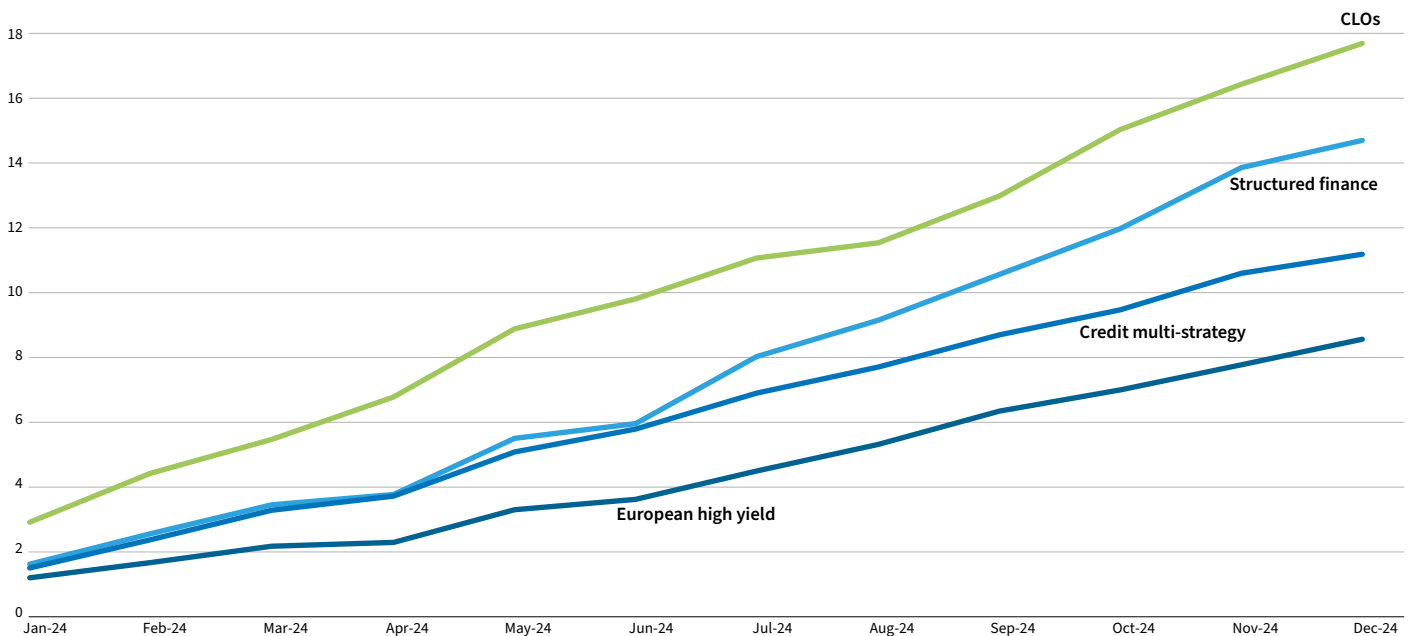


A profitable year for credit funds

An almost 18% rise ensured our CLO fund index was the best performer in 2024. But other credit indices weren't far behind as funds across the credit spectrum delivered strong returns

Top 4 Creditflux indices: cumulative returns 2024 (%)



by Robin Armitage

After credit funds delivered an extremely strong 2023 — with one fifth of funds returning over 20% — many in the industry predicted large CLO issuance in 2024. But the number of resets (525 by our count) and CLO fund launches (around 15) was still surprising.

Despite a wobbly macro environment, credit funds kept moving forwards. Our 12-month indices for CLO funds, structured finance funds and credit multi-strategy funds delivered returns in the 11-18% range, while European high-yield, corporate long-short and US high-yield funds sat at around 7-8%.

A stand-out year for Alegra

CLO funds saw the greatest success. The Creditflux top 30 funds for 2024 start at a



We remain disciplined and patient

Tarun Buxani
Portfolio manager
Alegra Capital

15.99% 12-month return, and end with the top performer, Alegra CLO Opportunities Fund, at 32.13%.

Liechtenstein and Switzerland-based manager Alegra Capital takes both first and second place, as well as fifth place, for its three CLO funds (see table, overleaf). Tarun Buxani, portfolio manager at the firm, says: “We were mostly focused on the secondary market in 2022 and 2023, increasing our exposure

when the market was down in 2022, and benefiting from the rebound in 2023 and 2024. Performance was further supported by robust cashflows from 2021 vintage equity with lower financing costs that were able to capture higher spreads in the loan market at the time. We were also active in buying shorter equity that continued to generate strong cash-on-cash distributions well after the reinvestment period had ended.”

Buxani believes the firm’s long experience — its ABS 1 strategy celebrated its 20th anniversary in 2024 — has been a contributing factor to its recent success. “Over the years, competition has certainly intensified, and we have raised our game by reacting swiftly when opportunities arise,” he says. “At the same time, we remain disciplined on price and patient in selecting the right investments

Top performing credit hedge funds 2024

Rank	Fund	Manager	Category	Share Class	Currency	2024	Annualised return since inception	Launch date	AUM (\$bn)
1	Alegra CLO Opportunities Fund	Alegra	CLOs	R A	EUR	32.13%	12.85%	Dec-2020	<0.1
2	Alegra ABS 2	Alegra	CLOs	N/A	EUR	28.90%	13.29%	Jun-2007	<0.1
3	Lupus Alpha CLO Opportunity Notes I	Lupus Alpha	CLOs	N/A	EUR	28.11%	14.54%	Sep-2012	<0.1
4	Lupus Alpha CLO Opportunity Notes II	Lupus Alpha	CLOs	N/A	EUR	27.67%	11.22%	Aug-2013	<0.1
5	Alegra ABS 1	Alegra	CLOs	N/A	EUR	25.96%	9.69%	Jul-2004	<0.5
6	Capital Four Structured Credit Opportunities Fund	Capital Four	CLOs	A	EUR	24.92%	17.70%	May-2020	<0.5
7	Vibrant Ambar Fund	Vibrant	CLOs	B	USD	24.88%	15.61%	Jun-2020	<0.5
8	Descartes Fund – CLOEE 2019	Cartesia	CLOs	A	EUR	24.82%	10.21%	Apr-2019	<0.5
9	III Credit Opportunities Fund	III Capital	CLOs	A	USD	24.77%*	10.17%	Apr-2010	<0.5
10	Descartes Fund – CLOEE 2021	Cartesia	CLOs	A	EUR	24.33%	13.92%	Nov-2021	<0.1
11	Spire Partners Credit Strategies Sub-Fund	Spire	Credit multi-strategy	S	EUR	23.97%	9.92%	Apr-2018	<0.5
12	Alcentra Structured Credit Opportunities Fund II	Alcentra	CLOs	I-B	USD	23.77%	16.73%	Feb-2011	<0.5
13	CloverTree Opportunities Fund	Orchard	CLOs	A	USD	23.38%	22.22%	Mar-2020	<0.5
14	CIFC CLO Opportunity Fund V	CIFC	CLOs	N/A	USD	21.66%	23.95%	Mar-2023	<0.1
15	Serone Key Opportunities Fund	Serone	Structured finance	-	USD	20.71%	11.10%	Sep-2013	<1.0
16	LCC Latam Consumer Credit Fund	LCC	Emerging markets	S/A	USD	20.54%	13.19%	Jun-2017	<0.1
17	Galene (IG Structured Credit) Fund	Prytania	Structured finance	C	GBP	19.51%	6.11%	Jun-2012	<0.5
18	CIFC CLO Opportunity Fund IV	CIFC	CLOs	N/A	USD	18.49%	12.48%	Oct-2020	<0.5
19	Vibrant Opportunity Fund	Vibrant	CLOs	1	USD	18.30%	9.11%	Dec-2013	<0.1
20	Owl Creek Credit Opportunities Fund	Owl Creek	Credit multi-strategy	-	USD	17.83%	7.97%	Jul-2012	<0.5
21	Sumus Credit Opportunities Fund	UBS	Credit multi-strategy	A	USD	17.80%	13.54%	Oct-2020	<0.1
22	MWM1 – Dette Européenne Stratégique	Cartesia	Credit multi-strategy	EUR	EUR	17.74%	5.92%	May-2009	<0.5
23	Accunia European CLO Opportunity	Accunia	CLOs	A	DKK	17.56%	6.56%	Sep-2017	<0.5
24	Sound Point Harbor Fund	Sound Point	CLOs	Feeder	USD	17.47%	13.34%	Jul-2019	<1.0
25	Napier Park Eton Fund	Napier Park	CLOs	N/A	USD	16.98%*	14.64%	Sep-2010	>1.0
26	CIFC CLO Opportunity Fund III	CIFC	CLOs	N/A	USD	16.57%	9.40%	Feb-2019	<0.1
27	Tabula Structured Credit Income Fund	Tabula	Structured finance	A	USD	16.47%	20.88%	Nov-2023	<0.1
28	Fair Oaks Master Credit III	Fair Oaks	CLOs	N/A	USD	16.29%	11.60%	Apr-2021	<0.5
29	Nuveen CLO Opportunities Fund	Nuveen	CLOs	N/A	USD	16.09%	17.80%	Sep-2022	<0.5
30	BK Opportunities Fund VI	Crystal Fund	CLOs	USD	USD	15.99%	8.48%	May-2019	<0.5

Top performing funds by category 2024

Top Fund	Manager	2024 return	Category	2024 index
Alegra CLO Opportunities Fund	Alegra	32.13%	CLOs	17.69%
Serone Key Opportunities Fund	Serone	20.71%	Structured finance	14.69%
Spire Partners Credit Strategies Sub-Fund	Spire	23.97%	Credit multi-strategy	11.19%
Schelcher Global High Yield ESG	Schelcher	9.45%	European high yield	8.56%
Capital Four Credit Opportunities Fund	Capital Four	12.59%	Corporate long-short	8.12%
Flat Rock Core Income Fund	Flat Rock	10.71%	US high yield	7.89%
CIFC Global Floating Rate Credit Fund	CIFC	14.06%	Ucits credit	6.74%

32.1%

Alegra CLO Opportunities Fund was the top performer in 2024

that can deliver results over multiple years.”

Parisian firm Cartesia also took three places in the top 30. Its CLOEE19 and CLOEE21 funds predominantly invest in secondary European CLO equity tranches. MWM1 — Dette Européenne Stratégique is a multi-strategy fund.

Pierre Mirat, partner at Cartesia, says: “In our CLOEE funds... we picked the right CLO managers on the right vintages with the right portfolio profiles, which can generate very strong and recurrent cashflow distributions, giving cash-on-cash annualised returns on both funds of nearly 30% last year.”

He says the CLOEE funds held a number of secondary equity tranches bought in late 2022 and in 2023 at highly discounted levels when the underlying portfolio NAV was quite low. “The catch-up of NAV price in alignment

with the performance of the European senior loan index price helped the portfolio asset prices to progress nicely since,” he adds.

Multiple avenues for performance

Looking outside the top 10 — which is dominated by CLO funds — the credit multi-strategy category produced a number of strong individual performers, as highlighted by funds from Spire and Cartesia.

Spire Partners Credit Strategies Sub-Fund can invest across loans, bonds and structured credit with the flexibility to go long or short. The fund tends to run with a long bias, says Phil Bennett-Britton, partner at Spire. He adds: “The performance of leveraged loans being up 13% in 2023, and then 9% in 2024, provided a constructive backdrop. The theme of realised default rates coming in

well below projected default rates continued in both these past two years. This has meant attractive yields have been on offer across the asset class.”

Bennett-Britton believes the flexibility of the investment mandate enables the fund to capture return either directly (where potential event-driven opportunities exist) or in structured format.

Cartesia’s Mirat says the firm’s MWM1 — Dette Européenne Stratégique fund has a safer risk profile than its CLOEE funds, and has been marketed to conservative family offices since the inception of both the fund and Cartesia 16 years ago.

“We can weight more on equity or on single or double B tranches. Currently the fund has an equity bias due to the evaporation of convexity in double Bs,” he says.