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Tobam launches HY fund taking on passive underperformers

French asset manager Tobam Core Investments opened its first international high yield fund on Monday. The €100m fund aims to go against the grain.

- By Victor Jimenez
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“People are starting to realize that market cap-weighted portfolios on which indexes rely allocate risk in a sub-optimal way” said Tobam’s head of fixed income Raphaël Thuin speaking from Paris. “Alternatives to market cap have been around for quite some time in the equity space. Being able to implement such an approach in the corporate bonds market is innovative. We somehow feel like pioneers, in the way we were in the equity market 10 years ago.”

Tobam’s new fund, called Anti-benchmark Global High Yield Credit Strategy will build its own index as it seeks to profit from a concept that Tobam has patented to quantify varied allocations in much the same way the market measures volatility.

“We’ve been successful implementing this approach to the US Credit investment universe over the past three years,” said Christophe Roehri, Tobam’s Deputy CEO. “Now we have secured support from a large public pension and an initial contribution from a UK wealth manager to go global with a new high yield fund with more than \$100mm to start with .”

“International high yield markets are plagued by heavy sector concentrations, especially within the commodity space, and prone to swings and liquidity gaps that can be avoided with funds like Tobam’s as an alternative to passive portfolios,” Roehri explained.

The new global high yield fund comes at a time high yield funds in the US and Europe have registered sudden outflows.

Investors took €560m out from European funds last week, according to JP Morgan data, although the baseline for 2017 so far remains positive at €780m.

In the US, last week's \$5.7bn outflow was the largest since December 2014. Market participants attributed it to concerns about potential defaults in the energy sector, which makes more than 15% of the US high yield index.

Tobam's global high yield fund is set to hold bonds for long maturities, although it declined to disclose if its initial investors had locked their assets into the fund for a certain period of time, or what its fee structure was.