

Case Credit Opportunity Casts a Wide Net

Stockholm (HedgeNordic) – Case Credit Opportunity, an opportunistic alternative fixed-income fund originally established under Catella Fonder, achieved its strongest annual performance in 2024 since its inception in late 2014, delivering a return of 11.6 percent. Madeleine Almqvist from Case Fonder's fixed-income team describes Case Credit Opportunity as "a corporate bond fund with the most flexible mandate of all our funds."

Case Credit Opportunity was initially launched under the Catella Fonder umbrella in November 2014 but was later acquired by Case Fonder along with other former Catella funds. Now managed by Madeleine Almqvist, Tom Andersson, and Andreas Rask, the fund delivered its strongest annual performance to date in 2024, surpassing its previous record of 6.5 percent in 2017. With SEK 1.6 billion in assets under management, the fund aims to deliver positive absolute returns regardless of market conditions by employing an opportunistic investment approach in fixed-income markets.

Flexible Mandate

Case Credit Opportunity has "the most flexible mandate of all our funds, which means that we as managers have more tools to actively navigate the market and take positions where we see the most favorable conditions at different times," explains Almqvist. The three-member portfolio management team structures the fund into four components: cash, investment grade, high yield, and opportunistic investments. "The size of each component is adjusted based on market conditions and where we identify the best opportunities at any given time," she adds. The allocation can vary significantly over time. "For instance, we might maintain a larger cash position in anticipation of buying something we believe is about to become undervalued," Almqvist illustrates.

Unlike Case Fonder's more traditional fixed-income funds, the team takes a more opportunistic approach with Case Credit Opportunity. "You can think of it as having an extra tool to generate additional returns over time compared to other funds," says Almqvist. This approach may involve delving into specific companies or sectors that have faced challenges, which created downward pressure on their bond prices. "It can also involve special situations where we thoroughly examine bond terms, identify events that could trigger favorable knock-on effects, and ultimately benefit investors in a particular instrument," she adds. "Through detailed analysis, we aim to uncover investments in the opportunistic segment that offer limited downside but significant upside potential, often delivering returns on par to equities."

Looking Ahead

Last year's 11.6 percent gain was partly fueled by carefully selected positions in real estate bonds. "We managed to buy one krone for 60 cents, which in the bond market is incredible yield potential," says Almqvist. "Many of these positions reached their full value over the past year and have since been exited," she explains. Looking ahead, the fund has already identified several new opportunistic positions with similarly strong return potential, poised to contribute positively in 2025 and 2026.

Looking ahead, Almqvist and her team remain proactive in seeking the optimal allocation based on prevailing market conditions. "We always strive to identify bonds with stable coupons to form the fund's foundation, layering the opportunistic component on top," she explains. Commenting on potential market dynamics, Almqvist notes, "With Donald Trump once again taking office as President of the United States, we can likely expect some volatility given his unpredictable actions. This, in turn, could create excellent opportunities for a highly flexible fund like Case Credit Opportunity." She concludes by emphasizing that "it's often in more turbulent markets that we uncover the most compelling opportunistic investments."