

Credit Edge to Merge into Larger Carnegie Bond Fund

Stockholm (HedgeNordic) – Two years after taking over Carnegie Credit Edge, Carnegie Fonder has decided to merge the derivatives-based fixed-income hedge fund into its much larger counterpart, Carnegie Investment Grade. Despite delivering strong performance over the past two years, the fund's assets under management have remained relatively small due to a mismatch between the fund's target audience and Carnegie Fonder's primary client base.

"Carnegie Fonder continually evaluates and develops the company's range of funds. To achieve greater management efficiency, the company's board has decided to merge Carnegie Credit Edge with Carnegie Investment Grade," announces the team at Carnegie Fonder. Credit Edge was one of four Nordic Cross hedge funds integrated into Carnegie Fonder following a merger of Swedish fund management operations by Carneo, a multi-boutique asset management group owned by Altor. Carnegie Fonder and Nordic Cross were both independent affiliates of Carneo. Credit Edge came under Carnegie Fonder's umbrella in October 2022. Emil Nordström, the portfolio manager responsible for the fund's options strategy, was joined by Carnegie's portfolio managers Niklas Edman and Daniel Gustavsson to continue managing the fund in a similar manner over the past two years.

Initially developed by hedge fund boutique Nordic Cross, Carnegie Credit Edge was designed to provide exposure to the European high-yield bond market through the use of long-dated options. This options strategy allowed Carnegie Credit Edge to maintain substantial cash reserves after paying options premiums, enabling the construction of a liquid portfolio of highly rated bonds with low duration, thereby enhancing yield potential. "Indeed, Credit Edge will be merged into Carnegie Investment Grade on the 24th of October," confirms Nordström, who has been part of the fund's management team since the fund's inception. "I believe Credit Edge is an excellent product with no existing competition in the market. Personally, I think it is a bit unfortunate end to a really good credit fund, but I understand our constraints and support the decision that the firm has taken."

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Credit Edge combined exposure to a highly liquid portfolio of low-duration, highly-quality bonds with exposure to high-yield credit risk premia through derivatives. "That makes the fund complex and without peers, normally requiring a bit of time to explain the strategy," points out Nordström. While the strategy was originally designed to cater to institutional investors, Carnegie Fonder's target clients are savings platforms for private investors. "The nature of the investor, although often professionally advised, requires the available funds to be simple and easy to understand. Credit Edge is not such a product," acknowledges Nordström.

Carnegie Credit Edge managed to bounce back in 2023, posting a 19 percent gain after a 14.7 percent decline in 2022. The fund added another 4.8 percent in the first eight months of 2024, including a 2.3 percent gain in July and 1.5 percent in August. Despite this solid performance, the fund's assets under management remained around or below SEK 50 million for most of 2024, dipping to the SEK 30 million level by the end of the summer. The closure of Credit Edge marks the beginning of a new chapter for Emil Nordström, who will manage a newly launched equity fund employing derivatives.