



PRESS RELEASE

High Yield Credit is offering attractive opportunities

29th November 2011: The turmoil surrounding both European Sovereign and bank debt shows little sign of a quick resolution. Since its eruption over the summer, we have seen the precipitous decline in financial stocks, further bank recapitalisation (including the bail out of Dexia), and the increase in EU Sovereign debt yields to “bail out” levels. This has prompted inevitable comparisons with the global credit crisis sparked by the collapse of Lehman Brothers in 2008.

However, Stuart Ratcliff, CIO of Matrix Funds of Hedge Funds Investment Team, believes that the situation in corporate credit markets is much healthier than it was in 2008.

Furthermore, the recent market selloff has created an interesting investment opportunity for certain types of credit funds.

“Since 2008, across the corporate sector net leverage has been cut and interest coverage has increased significantly. We are now at an interesting entry point into High Yield credit, which until the summer was actually looking rather expensive.”

“The iTraxx Crossover credit index is **currently at a spread of 856bps over Libor** (25th November); the only previous time the spread was higher was for four months between December 2008 and April 2009, at the height of the credit crisis.”

This spread implies a company default rate of 51% over the next 5 years, which seems way too high given the historical average annual default rate of 4.23%. Even in 2008/09 the annual default rate only peaked at 10.98%.”

With cash and even longer term Gilts offering negative real interest rates (taking into account inflation) investors looking for yield may want to consider either Investment Grade or High Yield bonds. Mr. Ratcliff prefers High Yield to Investment Grade bonds as Investment Grade bonds will have less protection against future interest rate rises because they are more correlated to Sovereign debt interest rates.

WHY ALTERNATIVE CREDIT FUNDS

Mr. Ratcliff believes the best way to take advantage of the opportunities in the High Yield credit market is through alternative fund managers.

“A number of alternative credit and event driven funds that we are invested with or monitoring are telling the same story; the opportunity set in High Yield credit looks attractive given the market selloff, but it requires a high level of expertise and flexibility to exploit these opportunities fully. Given that we have retraced around two thirds of the spread tightening seen since the worst of 2008, the risk /reward now favours selective buying of attractive bonds trading at prices well below par.”

As opposed to some long-only credit funds which are tied to an index, alternative credit funds have the flexibility to only invest in what they believe to be the best High Yield bonds. These funds also have the tools to go short weaker High Yield bonds in order to both reduce overall portfolio volatility and maximise gains.

Mr. Ratcliff and the Matrix Funds of Hedge Funds Team currently run three funds; the Matrix Credit Opportunities Fund and the Matrix Event Driven Fund (which are strategy specific) and the multi-strategy Matrix New Horizon Fund. Each of the funds aims to generate absolute returns with low correlation to traditional equity and bond markets.

- ENDS -

For further information please contact:

Natasha Newman
Matrix Group

020 3206 7130

Louise Hatch / Henrietta Dehn
M: Communications

020 7920 2316

Notes for Editors

Matrix Group is an established, privately owned and independent financial services business founded in 1987. Matrix is focused on advising clients, raising funds and management of assets. Matrix's range of activities encompasses hedge funds, UCITS, cash funds, private equity and property with £4 billion assets under management. In addition, Matrix provides specialist corporate finance and fund raising advice primarily concentrating on energy, clean tech, renewables and real estate clients, as well a fully integrated service to investment funds clients (market making, sales, research, corporate broking and corporate finance).