

Point Clear Gains On Credit Market Woes

Fairhope, Ala.-based **Point Clear Capital Management** long/short credit fund has made healthy gains this year on the strength of its credit investments, or, should we say, the weakness of that market. Year-to-date, the Piedmont Fund's short credit strategies are up between 14% and 54% through June.

Specifically, the Alpha 1 Fund and its levered versions, Alpha 50 and Alpha 150, are up 17.39%, 14.71% and 54.56% respectively. It is an off-shore structured credit fund with a short bias to exposure to the U.S. investment-grade corporate bond market. The fund implements its short credit position through the

trading of credit default swaps.

The firm offers its funds in credit-linked notes, allowing it to issue different funds on the same platform, explained co-founder Lyle Minton. "So it allows us to customize and issue new funds for investors at very cheap margin costs. We set sensitivities for funds' exposure to credit indices, specifically the CDX IG."

Minton said the widening of credit spreads started "in earnest" in June with a broader correction still to come within the next several months. "We're entering a very volatile medium-term environment where we're seeing large movements of spreads both up and down.

The average five-year spread for triple Bs is about 120 basis points and right now we're at about 75 bps so we still have a ways to go to get back to the 10-year average."

The sub-prime market is just the opening salvo to be followed by a spike in corporate default rates, according to Minton.

The Piedmont fund charges management fees of 50 bps, and a 20% incentive fee, with a \$1 million minimum investment.

Minton also mentioned that the firm is currently in talks with investors about customizing a short-only strategy with more of a high-yield component and a more correlated long/short strategy.

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