

## Press Release

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### **Liquid alternatives deliver impressive performance in the first half of 2024**

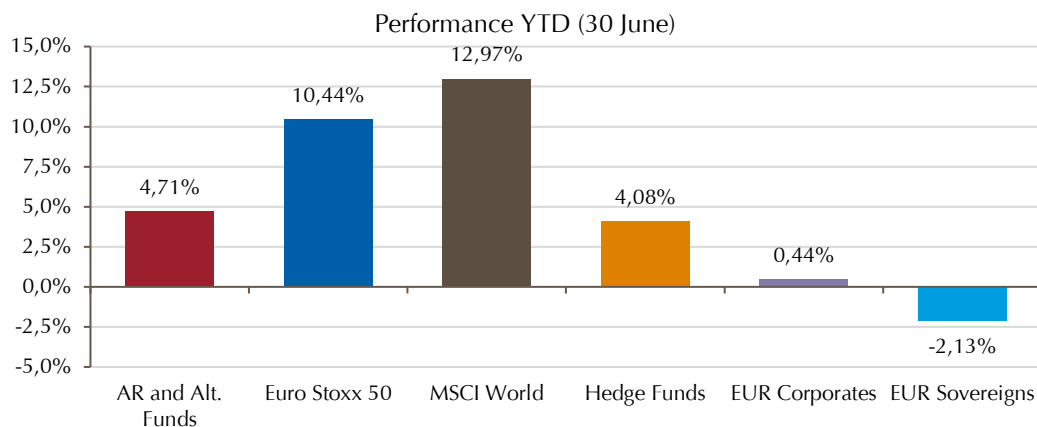
**investors drawn to specialised fixed-income strategies**

**When it comes to UCITS-compliant hedge fund strategies, investors focused on specialised fixed-income strategies in the first half of 2024, the only strategies that were able to raise net funds. While a net EUR -6.4 billion flowed out of the overall segment as of 30 June, investor withdrawals slowed markedly compared to the same period last year (EUR -19.4 billion). With an average fund performance of 4.71%, the asset class outperformed unregulated hedge funds and was well ahead of bonds yet lagged behind equities overall. This is the result of Lupus alpha's semi-annual Liquid Alternatives Study based on data from LSEG Lipper.**

The reallocation of capital to fixed income that coincided with the turnaround in interest rates is also apparent in regulated hedge funds. As the only strategies in this asset class, Absolute Return Bond and Alternative Credit Focus recorded combined net inflows of EUR 2.2 billion. These two specialised fixed-income strategies now account for almost 30% of market volumes in the liquid alternatives universe. Overall, total volumes in this investment segment decreased by 3.1% to EUR 224.4 billion. There has been a marked slowdown in monthly outflows, which amounted to EUR -1.5 billion in January but totalled just EUR -200 million in June.

With an average fund performance of 4.71%, liquid alternative strategies outperformed unregulated hedge funds at 4.08%, and also significantly outperformed European corporate and government bonds (see chart), which suffered due to unfulfilled expectations that central banks would make several interest rate cuts. Both fixed-income strategies – Absolute Return Bond (3.3%) and Alternative Credit Focus (4.2%) – recorded significantly stronger returns than European corporate and government bonds. In a market environment that was positive up to the mid-year point, liquid alternatives therefore consolidated their positioning between bonds and equities.

## Performance: liquid alternatives between equities and bonds



“Among liquid alternatives, the variable-rate nature of CLO funds means they have particularly benefited from higher interest rates,” said **Ralf Lochmüller, Managing Partner and CEO of Lupus alpha**. “In the investment grade segment, these funds can offer significant returns with a high level of security, making them an attractive alternative to traditional bonds for investors.” None of the European CLOs that have been launched over the last 15 years have defaulted.

Across all strategies, the evaluated funds kept their risks well under control with an average maximum loss of 3.6%. Nine of the ten funds with the lowest maximum losses were specialised fixed-income strategies, of which the majority were CLO funds. Fixed-income strategies also recorded impressive Sharpe ratios, with all of the top ten funds coming from this segment.

“The results from the first half of 2024 underscore the importance of liquid alternatives in achieving a balanced portfolio,” said **Ralf Lochmüller**. “With its risk characteristics and performance positioned between equities and bonds, this asset class is impressively demonstrating its strengths as a diversifying component. Liquid alternatives strategies give investors greater room for manoeuvre and can help them to build more robust and sustainable portfolios.”

The downloadable [white paper](#) contains further detailed information, including a breakdown of the performance of individual strategies.

**About the study:** Since 2008, Lupus alpha has been evaluating the universe of absolute return and liquid alternatives funds on the basis of data from LSEG Lipper. The Study covers UCITS-compliant funds with an active management approach that are authorised for distribution in Germany. The Study focuses on market size, development and composition, performance in the investment segment and individual strategies, as well as key risk figures. It evaluates the three levels of aggregation – the overall universe, strategies within the universe, and funds within the strategies – and distinguishes between 14 strategies. The Alt. Long/Short Equity strategy, for example, includes 92 funds.

**About Lupus alpha:** As an independent, owner-operated asset management company, Lupus alpha has been synonymous with innovative, specialised investment solutions for over 20 years. As one of Germany's European small and mid-cap pioneers, Lupus alpha is one of the leading providers of volatility strategies as well as collateralised loan obligations (CLOs). The specialist product range is rounded off by global convertible strategies and risk overlay solutions for institutional portfolios. The Company manages a volume of more than EUR 15 billion for institutional and wholesale investors. For further information, visit [www.lupusalphade.com](http://www.lupusalphade.com).

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