

PROFILE

Amundi Chenavari

Credit UCITS

European financials and corporates - long/short and dynamic hedging

Hamlin Lovell

The Amundi Chenavari Credit UCITS has won *The Hedge Fund Journal's* UCITS Hedge Award for best performance in 2024 and over 5 and 7 years ending in December 2024 in the European Credit Long/Short strategy category.

Assets under management of USD 870 million make it the largest UCITS hedge fund on Amundi's platform. Chenavari's partnership with Amundi started with Lyxor Asset Management back in 2015. Lyxor Asset Management merged with Amundi in 2022.

The strategy targets high single digit absolute returns through the cycle. Though there is no benchmark, since 2016 it has roughly matched the returns of long only European high yield indices, but with lower volatility and drawdowns: for instance, in 2018 it lost 1-2% less and in 2022 about 8-10% less.

Dedicated team and risk management

The strategy is lead-managed by Senior Portfolio Manager, Stephane Parlebas and Partner and Deputy CEO, Vincent Laurencin, who have both managed the UCITS since its relaunch in 2016.

Parlebas has worked in credit portfolio management since 2004, first at SGAI and then Lyxor Asset Management, before joining Chenavari in 2010. Laurencin, whose earlier career was as Head of Equity Research on the sell side at Exane, recalls: "I wanted to transition to the buy side, but when I moved into credit at Chenavari in 2015, I had to rewire my thinking – focusing more on downside protection, risk asymmetry, and the full breadth of the credit spectrum, including derivatives".

The growth in assets from around USD 100 million to USD 870 million over the past six years has enabled Chenavari to build a dedicated four-person analyst team focused exclusively on the UCITS. While this specialist team acts as a clearly defined investment "pod", it is fully integrated into the broader Chenavari platform.

Chenavari has also developed a proprietary risk management system, CLARK, which monitors formal prospectus constraints, granular position-level limits, and multiple stress-test scenarios – including 10%, 20%, 50% and 100% credit-spread shocks. In addition to the firm's internal controls, Amundi provides an extra layer



▲ (L-R): **Stephane Parlebas**, Senior Portfolio Manager and **Vincent Laurencin**, Partner and Deputy CEO

“We made a conscious decision to turn net short ahead of Covid as Stephane had great foresight about the severity of Covid risks.”

VINCENT LAURENCIN

of independent risk oversight, and the Central Bank of Ireland adds regulatory supervision.

The UCITS’ research and portfolio management processes are distinct from Chenavari’s other strategies, yet high-level themes are often shared across the platform. A good example is the Greek recovery story, where Chenavari launched a dedicated, less liquid strategy profiled by *The Hedge Fund Journal* in 2020. That strategy has successfully navigated the multi-year re-rating of Greece. Greek sovereign debt now trades tighter than the French one, and the UCITS has captured this trend through exposure to instruments issued by Greek banks.

The UCITS team can also share views into credit risk with Chenavari’s loans and CLO teams, which have just launched their eleventh CLO.

The UCITS combines nimble top-down directional views with bottom-up name selection in financials and corporates.

Last time *The Hedge Fund Journal* profiled the UCITS, in 2019, it had three strategies: convexity, financials and corporates. The convexity strategy, which historically peaked at 35% of risk, was steadily downsized to 5% by June 2020 and phased out in early 2021 (as flagged in the 2020 annual letter). “The strategy was somewhat less liquid and discontinuing it also paved the way to move from weekly to daily liquidity in June 2021,” says Laurencin.

Dynamic hedging preserves capital in 2020, 2022, 2025

Though there is no longer a dedicated convexity book, the strategy still opportunistically implements tail-risk hedges in European credit indices, such as the iTraxx Main (investment grade)

or iTraxx Crossover (sub-investment grade), and, at times, through puts on large-cap equity indices such as the S&P 500 or Euro Stoxx 50. “We try to buy protection when the VIX index of implied volatility is below 20%. We generally select short term maturities (up to two months) to maximise convexity if something unexpected occurs,” explains Parlebas.

The hedges – and active decisions on varying exposure – have helped to preserve capital around episodes including Covid in 2020, the 2022 bear market and Liberation Day in April 2025.

“We made a conscious decision to turn net short ahead of Covid as Stephane had great foresight about the severity of Covid risks. This was a PV100 event where credit spreads rose 100% or doubled,” recalls Laurencin. In fact, the dialing down of risk partly predated Covid; the strategy had been briefly market neutral as risk premiums compressed during the synchronized risk asset rally.

The strategy reverted to market neutral in 2022 around the start of the Ukraine war and weathered the brutal increase of interest rates. Hedging rates, rather than equities or credit, were particularly relevant in 2022 and helped the strategy to end flat in USD and down about 1.5% in EUR. “We over-hedged interest rates as 2022 was a special case due to maturity extension, which came mainly from financials not being called. We were constantly buying protection by shorting Bunds via futures. This was a good decision as a high yield portfolio with a duration around three years usually does not require us to be perfectly hedged on interest rates,” recalls Parlebas. We also increased our cash buffer to provide extra flexibility and reduce exposure to market volatility.

“Banks levered 10–12x are now much safer than they were. Solvency, diversification and asset quality have all improved a lot compared to 15 years ago.”

STEPHANE PARLEBAS

“Exposure was also scaled back again in March 2023 around Credit Suisse,” recalls Laurencin. This shorter-term tactical move was reversed a few months later. “In the fourth quarter of 2023 exposure was ramped up to maximum net long based on both interest rates and credit spreads being attractive. This change of profile was pre-announced to investors in a letter,” says Laurencin.

In early 2025, Chenavari judged that most European high yield was somewhat defensive in being more domestically focused and less tariff-sensitive than equities or investment grade credit but nonetheless hedged ahead of Liberation Day. “We knew there would be a tariff announcement on Wednesday April 2nd and accumulated puts on S&P 500 when volatility was relatively low. We took profits over a 6-day window starting on Friday April 4th when the market was down already 10%,” says Parlebas.

Variable hedge profiles

The convexity profile of hedges varies. “In February and March 2020, we were super convex to make outsized gains from extreme widening. In October 2025 we have been much closer to linear exposure without too much convexity. This is partly because we have taken advantage of skew in the equity index option markets to

construct put spreads reducing the costs of protection. This involves buying nearer puts and selling more distant puts,” says Parlebas. In October 2025 the puts alone would not make the portfolio market neutral upon a normal market selloff. “Nonetheless, exposure is dynamic, and active decisions to add to hedges or sell down exposure, could quite quickly bring it to market neutral,” says Parlebas.

The strategy has very briefly been slightly net short several times, but its “PV10” sensitivity to a 10% move in credit spreads has nearly always ranged from 0 to 2% of fund NAV and averaged at 0.8%. The average is roughly half of credit market beta, as measured by 100% long only exposure to a high yield index.

Range of credit ratings

Most allocations are typically in bonds with high yield credit ratings, though the strategy seldom trades instruments rated CCC or below. The UCITS prospectus restricts holding cash bonds rated CCC, an approach initially shaped by Amundi’s predecessor, Lyxor. “The UCITS fund is also unlikely to be extremely active in the CCC space or below via Total Return Swap, even though this is allowed,” Parlebas notes.

This is not a limitation for the team; it is a deliberate positioning choice. Chenavari sees the most attractive risk-adjusted opportunities in BB and single-B credits, where structural inefficiencies and dislocations often provide compelling upside without taking on excessive tail risk.

The UCITS fund is more likely to migrate up the rating spectrum and can occasionally find value in investment grade names, especially during extreme dislocations. “In 2020, the market was completely broken for two months with no issuance. The first new issues were top quality names, such as a senior bond issued by HSBC, with a coupon of 5%.

“Over the first 10 months of 2025, European high yield has seen some dispersion at the extremes, with BBB tightening and CCC widening, even though the intermediate spreads are roughly flat.”

Financials macro and merger trades

The base case allocation is 50% corporates and 50% financials but there is some flexibility to go to 65%/35% either way. Financials have recently been as much as 60-70% of the book, for both top-down and bottom-up reasons.

“From a macro perspective, financials offer one way to play the convergence and compression of Southern European peripheral sovereign credit risk versus core Europe risk. We have been active in Portugal, Italy and Greece,” says Parlebas. In many of the same countries, M&A in banks can provide some optionality for credit instruments that are, for instance, more likely to receive tender offers after a takeover. “For instance, we also like holding AT1s issued by pure domestic players in Italy, Spain, Belgium and Greece, which could similarly benefit from ongoing merger and acquisition activity,” notes Parlebas.

The currency choice of AT1s can also be optimized based on the yield curve shape and potential roll down. “Short-dated USD paper could provide enhanced carry in some cases,” says Parlebas.

Financials’ credit spreads blew out after Credit Suisse failed in March 2023, but have now reconverged to the same level as average European corporate credit spreads and come round full circle to where they were just before Credit Suisse. “The Credit Suisse story was Swiss-specific and different from the Europe story,” points out Parlebas, who still finds the space attractive partly due to M&A. He even questions whether bank paper should offer any premium over non-financial corporates: “Banks are less risky than some other sectors such as heavily leveraged chemicals. Banks levered 10-12x are now much safer than they were. Solvency, diversification and asset quality have all improved a lot compared to 15 years ago”.

Refinancing and restructuring

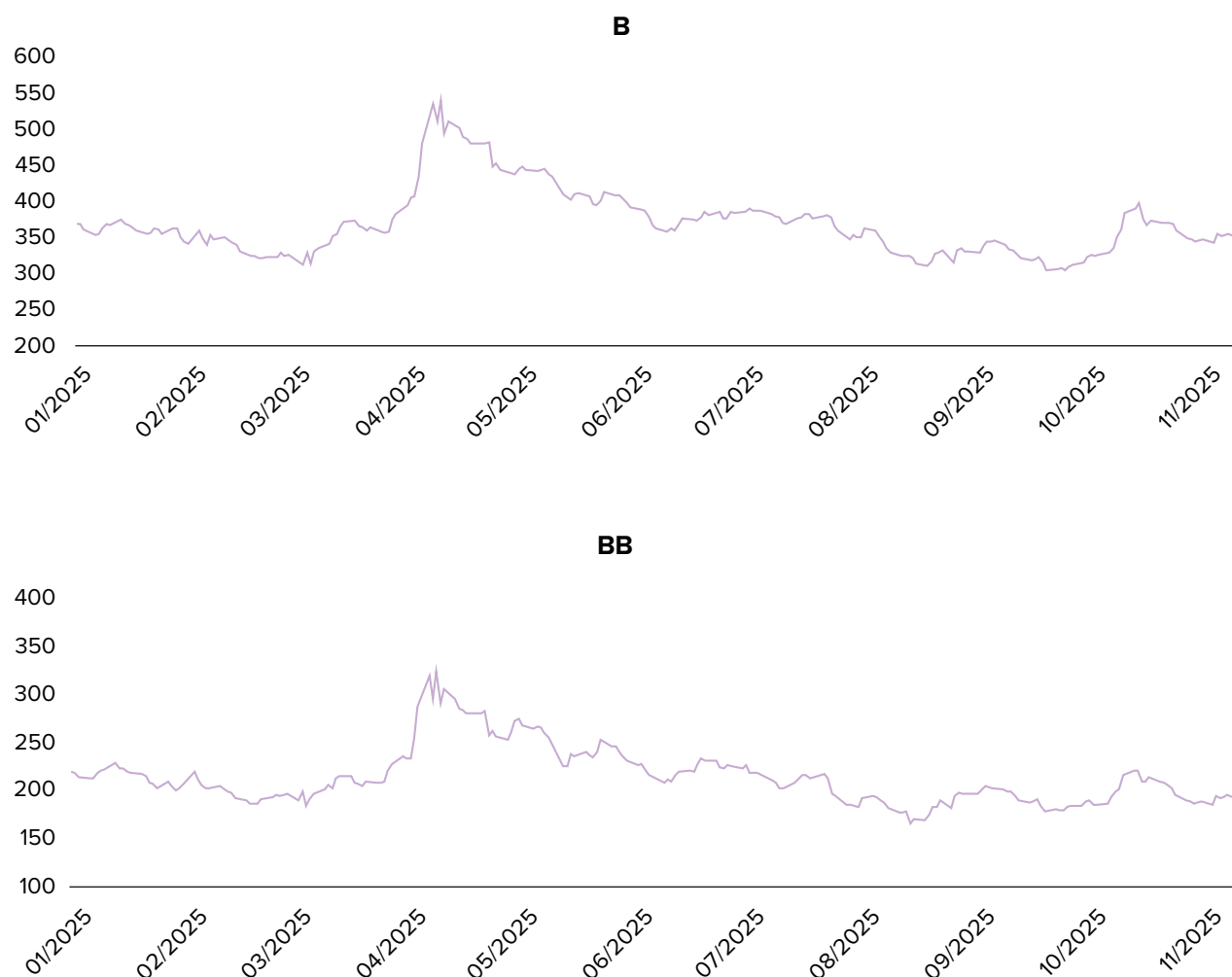
Just as Southern Europe is now seen as less risky than parts of Northern Europe, the tables have turned in favour of banks and there have recently been greater fears about certain non-financials. In early 2025, there were concerns about a record refinancing wall in Europe, but Laurencin now finds that the ReFi wall has been postponed because companies have taken advantage of healthy demand from public and private credit investors to refinance large amounts of debt. “May, June, July and September were record months for refinancing, and companies who could not access liquid public markets found private credit instead. The use of private debt to refinance public issues is a growing trend,” says Laurencin.

Incidentally, new issue premiums have made a marginal contribution to recent returns. “This is partly because the premiums have been quite small but also because the fund’s growth in assets has diluted their contribution,” points out Laurencin.

Chenavari’s refinancing tally relates to bonds. The broader discussion of credit refinancing also includes leveraged loans, which UCITS cannot invest in. “We see some problems in loans, but they have not thus far contaminated bond issuers,” Laurencin observes. Nonetheless, some companies do need to restructure their debt in various ways. “Some restructurings, such as Pizza Express, were relatively straightforward amend-and-extend processes, but others are much more complex,” notes Parlebas. Chenavari is also closely monitoring the rise of “creditor-on-creditor violence,” where techniques such as uptiering can significantly reshuffle the capital structure, making some instruments more senior while pushing others further down the waterfall. “These stories are very specific to particular bonds,” Parlebas emphasises.

Fig.1 Single B and Double B Credit Spreads in 2025

Source: Chenavari, Bloomberg LP

**Dispersion, pairs trades and UK**

Over the first 10 months of 2025, European high yield has seen some dispersion at the extremes, with BBB tightening and CCC widening, even though the intermediate spreads are roughly flat. Chenavari is no longer trading entire tranches of credit rating categories and is more interested in more idiosyncratic dispersion, which has thrown up opportunities for some pairs trades. “We own a German automaker

paying a high yield spread for what we believe is investment grade risk and have shorted a UK automaker that we view as trading too tight,” says Laurencin.

Outlook

Chenavari recognizes that European credit spreads are historically tight but view overall yields as attractive, even without any ECB rate cuts, which is the consensus view. Parlebas views a resumption of ECB QE as an even more

remote prospect: “This would require a very big recession, crisis or external shock”.

In late 2025, the portfolio is earning some positive carry, mainly from financials. Running at less than half of its maximum risk, the fund is somewhat cautiously positioned and sitting on some cash means that it also has some dry powder to upsize risk upon any blowouts. [THFJ](#)