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Swiss firm launches 'unconventional' Oyster European bond fund

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Swiss manager SYZ & Co launched an "unconventional" European bond fund aiming for 8 per cent return each year.

The Luxembourg-domiciled Oyster Flexible Credit Sicav will buy into devalued securities and use hedging to change market exposure in different economic cycles.

It will be run by Eiffel Investment Group, a Paris-based specialist in the strategy, which will attempt to keep the fund's Sharpe ratio at one.

The fund's ongoing charges figure is 1.4 per cent for retail investors and 1.25 per cent for institutional unitholders.

A 20 per cent performance will be levied for any outperformance of the Euibor 1M TR, while investors will be up for maximum entry and extry fees of 3 per cent each way.

A "Newcits" fund – one that becomes possible after changes to the Ucits rules – it offers an unconventional option to investors, SYZ says.

Several unconventional funds have already been launched in the Oyster range as a result of the changes.

SYZ says the European corporate bond issuance is growing fast, although the €2.2trn bond and loan market is still highly fragmented.

Some 30 per cent of high-yield bonds issued last year were companies tapping bond markets for the first time.

Unlike the US, the European market is still 70 per cent dominated by banks, which means the market has even more to grow, the firm adds.

"This broad market is not yet harmonised and so offers a wide spectrum of opportunities for experienced specialists who are capable of identifying undervalued or poorly understood loans."

The flexible credit fund will hold between 30 and 40 different positions, with an emphasis on special situations.