



FIXED INCOME

Looking Under the Hood of Active Credit Managers

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Extensive research has explored the style exposures of actively managed equity funds. We conduct an exhaustive set of returns- and holdings-based analyses to understand actively managed credit funds. We find that credit long/short managers tend to have high passive exposure to the credit risk premium. In contrast, we find that high-yield-focused long-only managers provide less exposure to the credit risk premium than their respective benchmarks. For both credit hedge funds and long-only credit mutual funds, we find that neither have economically meaningful exposures to well-compensated systematic factors; there is the potential for a powerful diversifier to be added to a typical credit allocation.

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