

Chenavari Acquires \$2 Billion CDO Business From Lyxor (Update1)

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By Shannon D. Harrington

Dec. 8 (Bloomberg) -- Chenavari Credit Partners LLP, the London-based hedge-fund firm, is taking over \$2 billion in credit-derivative funds from Lyxor Asset Management as a record rally in debt markets spurs mergers among managers.

Chenavari will acquire the Societe Generale SA unit's credit business, which manages so-called synthetic collateralized debt obligations, and a team of 12 Lyxor employees will join Chenavari in a new Paris office, according to a notice sent to clients and a person familiar with the matter. Paris-based Societe Generale, which in September reorganized its asset management business, said in a statement that it "selected" Chenavari to take on the CDO business "in the investors' best interests" as Lyxor focuses on other businesses.

Chenavari joins Aladdin Capital Holdings LLC of Stamford, Connecticut and Bermuda-based Primus Guaranty Ltd. in acquiring CDOs as the assets recover following losses in 2007 and 2008 that shut down creation of the securities. While new securities aren't being created, investment companies are buying firms or assets from other managers.

CDOs repackage assets such as corporate loans and mortgage bonds into new debt with varying degrees of risk. Synthetic CDOs sell credit-default swaps that receive annual premiums in return for taking on the risk of losses from defaults on corporate bonds and other debt.

Credit-default swaps are derivatives used to speculate on corporate debt or to hedge against losses. They pay the buyer face value if a borrower defaults in exchange for the underlying securities or the cash equivalent.

Completion Date

The acquisition by Chenavari will be completed by early 2010, according to the letter to clients. The transaction was reported Nov. 30 by Creditflux, which said it was the largest acquisition of a synthetic CDO business.

The transaction brings Chenavari's total assets under management to about \$2.4 billion, said the person, who declined to be identified because the transaction is private.

SocGen transferred its CDO business in September to Lyxor from its SGAM Alternative Investments unit in a reorganization of the French bank's asset management business. As part of a strategic review, Lyxor decided to focus on three areas: managed accounts and funds of hedge funds; quantitative and structured

asset management; and exchange-traded and index funds, according to an e-mailed statement from spokesman Jim Galvin.

Loic Fery, a former global head of credit markets for Credit Agricole SA's Calyon unit who started Chenavari in 2007, declined to comment.

Chenavari's flagship Multi-Strategy Credit Opportunity Fund is up 29 percent this year and 35 percent since it was created in October 2008, senior portfolio manager Demian Brasil said in an e-mail.

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