Exploring the Alternative Credit Landscape

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On Behind the Markets, a podcast brought to you by Jeremy Schwartz, WisdomTree Global Head of Research, we talk to market strategists, business executives and financial advisors about important trends underpinning the financial markets.

In this episode, Jeremy talks to Chris Acito, Founder, CEO and Chief Investment Officer at Gapstow Capital Partners.

Listeners will hear about:

- The challenges of traditional fixed income yields, and how pensions and institutions view alternative credit as a solution in portfolios. Many pensions are starting to add close to 10% exposure to alternative credit as an asset class.
- What Acito's team views as alternative credit vehicles—how they look through underlying publicly traded vehicles to determine the types of loans they are trying to get exposure to.
- Key attributes of the components in the Gapstow Liquid Alternative Credit Index (GLACI), the index that the WisdomTree Alternative Income Fund (HYIN) was designed to track.
- What vehicles provide exposure to loans to public corporations, private corporations and commercial and residential real estate, and the diversified package of loans the Index is trying to represent through its constituents.
- The unique features of business development companies (BDCs)—from the underlying cost in these vehicles to how many traditional index strategies remove these companies due to the requirements around acquired fund fee reporting.
- The difference between market price and net asset value (NAV) of many of these alternative credit vehicles, and how market prices can dislocate and create extra volatility compared to NAV.
- The hybrid nature of these securities brings little correlation to the traditional bond market and particularly rising interest rates, since many of the underlying loans have a floating rate nature.
- The challenges of 60/40: These vehicles are almost hybrid in nature, seeking to provide risk similar to equities with higher yields that are similar to fixed income. By including them in a portfolio, they can help generate income while also dialing up risk exposure.

You can listen to our full conversation with Chris Acito below.

Important Risks Related to this Article

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