Redhedge ICAV
RV-Corporate Bonds Fund

Weekly newsletter – **Week ending August 29th, 2023**

For professional investors only. Not directed at retail investors

Fund overview

The fund's strategy is founded on the fact that, in credit markets, short term price volatility can temporarily lead to relative mispricing of bonds. Our model enables us to incorporate long term dislocations into a traditional yield curve approach. These structural factors are a persistent characteristic of a bond that can throw-off a more naive RV strategy. The distinction between short-term and long-lasting price influences is critical for a successful RV strategy. Our sector specialists identify the reasoning behind price mis-allignements and search for those likely to correct in the short/medium term. Using a long/short approach, we aim to capture the differential between bond spreads (within the same bond curve or sector) generated by temporarily imbalances and profit once the factors that cause this mis-pricing dissipate.

Performance

Source: Internal data

NAV	119.56
Week	-0.05%
Current Month	0.87%
YTD	0.10%
Inception	19.56%
Annualized Rtrn Since Inc.	2.61%

1 Month Return (rolling)	0.83%
1 Year Return (rolling)	0.79%
Max Drawdown (Weekly)	-0.38%
Positive Mths Since Incept.	69
Negative Mths Since Incept	15

Ratios

Source: Internal data

Sharpe (inception)*	2.93
Std.Dev. (of annualized rtn)	1.35

* RFR 0,00%

Fund Information

Source: Internal data

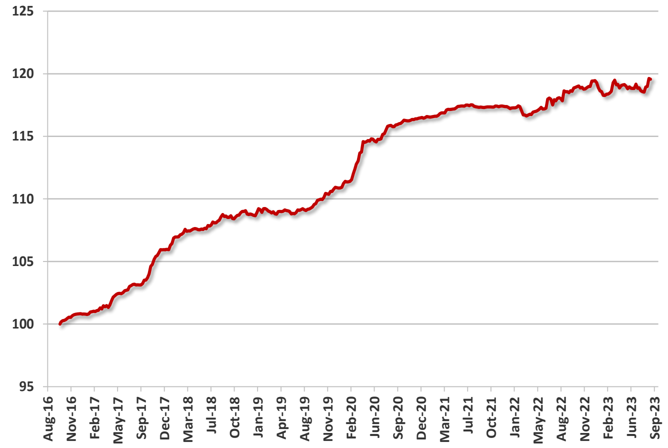
ISIN	IE00BD1R9143
Bloomberg Code	RRVCBAE ID
Inception Date	23 September 2016
Fund AUM	150mm EUR
Management Fee	1.00%
Performance Fee	25.00%
Redemption	Weekly
Min. Subscription	100k EUR
Fund Manager	Andrea Seminara

Monthly Returns Since Inception

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year Tot.
2016									0.26%	0.29%	0.23%	0.02%	0.80%
2017	0.16%	0.10%	0.30%	0.49%	0.56%	0.25%	0.46%	-0.04%	0.56%	1.42%	0.74%	0.00%	5.10%
2018	0.95%	0.21%	0.24%	0.16%	-0.04%	0.33%	0.29%	0.37%	-0.17%	0.24%	0.08%	-0.10%	2.59%
2019	0.42%	0.01%	-0.32%	0.16%	0.05%	-0.12%	0.28%	0.05%	0.55%	0.23%	0.43%	0.24%	2.01%
2020	0.44%	0.61%	1.45%	0.80%	0.05%	0.15%	0.91%	0.05%	0.21%	0.12%	0.10%	0.04%	5.03%
2021	0.09%	0.11%	0.17%	0.25%	0.19%	0.08%	-0.09%	-0.05%	0.02%	0.06%	0.00%	-0.18%	0.65%
2022	0.09%	-0.51%	0.04%	0.26%	0.10%	0.66%	0.10%	0.40%	0.26%	0.00%	0.02%	0.47%	1.91%
2023	-0.73%	-0.17%	0.94%	-0.32%	-0.13%	-0.09%	-0.26%	0.87%					0.10%

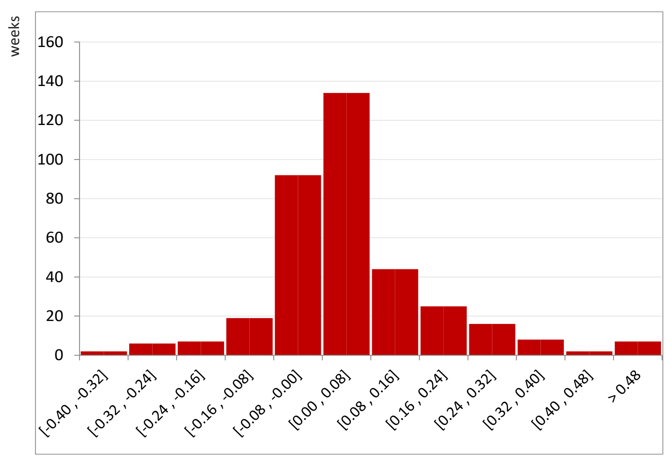
Source: Internal data

NAV Cumulative Performance Since Inception



Source: Internal data

Histogram of Weekly Returns (362 weeks)



% return

Source: Internal data

Investor services: +44 (0)20 3940 5626
Email: info@redhedge.com
Website: www.redhedge.com

Monthly Comment - Month ending 31 August 2023

The summer months of July through to August saw credit spreads whip-saw but ended up slightly tighter throughout the period. As in summers past, illiquidity in August can lead to outsized moves in credit, rates & equities, especially when positioning is the wrong way. This year, we saw big whipsaw moves in rates, with 10y bunds trading in a 30bp range while treasuries and gilts were even more volatile. Data showing some indication of slowing economic activity collided head-on with CPI data showing prices still increasing (or at least decreasing more slowly than hoped/anticipated) and measured comments from the Fed at Jackson Hole. This volatility did translate into some widening in credit, with ITRX XOVER HY index nearly 50bps wider from the tights, before retracing most of that move wider again in the last 2-3 days of the month.

It will be interesting to see whether outflows, which are pretty persistent in the US, will become more of an issue in Europe, especially when confronted with a healthy new issuance pipeline come September. So far this year, the market has always been able to absorb issuance fairly easily, but now that the ECB is no longer active in the primary market, higher new issue premiums may well be necessary. The underperformance in IG cash vs ITRAXX EUR IG Index this month (by nearly 12bps) is already huge, so we are closely monitoring whether this will persist, and Index and CDS hedges will outperform cash bonds once again in September.

Our portfolio positioning performed despite the typically quiet and low volume summer months as the markets gyrated over August especially. Our relative value trades prioritised higher quality bonds which were more resilient in the moves wider and de-prioritised higher beta bonds which underperformed this move. We had a cautious stance going into the summer as spreads were at very tight levels where we have argued that the risk-reward of being long credit spreads was very poor at this point particularly with potential macro tail-risks going into the last few months of the year. Some sectors such as Autos and Chemicals were underperformers in this move and we were able to capitalise and take profit on this mini-volatility.

Going forward, we continue to be cautious with regards to valuations and spreads, however we also remain patient waiting for the right RV opportunities to present themselves once again. We will look to focus to re-enter into long positions of bonds and sectors that have underperformed, rotating out and selling bonds that have not repriced wider in these moves. We expect heavy issuance pipeline going into September which could cause more dislocations. With regards to curves, we have seen some steepening in rates this month, but that hasn't really translated into a shift in credit curves, as insurance companies used the widening in spread & rates to lock-in longer duration risk that have reached their target yield levels. Dispersion in credit, and in particular HY, has historically led to flatter credit curves, so we are keeping an eye on front-end curves in both IG, Corporate Hybrids and HY.

Redhedge Investment Team

RED HEDGE

Investor services: **+44 (0)20 3940 5626**
Email: **info@redhedge.com**
Website: **www.redhedge.com**