

Redhedge UCITS ICAV Relative Value UCITS Fund Class A EUR

Monthly Newsletter –Week ending September 5th, 2023
For professional investors only. Not directed at retail investors

Performance

Source: Internal data

NAV	102.87		
Current Month	0.06%	1 Year Return (rolling)	1.72%
YTD	0.83%	Max Drawdown (Daily)	-0.30%
Inception	2.87%	Positive Mths Since Incept.	19
Annualized Rtrn Since Inc.	1.13%	Negative Mths Since Incept	12

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-alignments 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.

Ratios

Source: Internal data

Sharpe (annualized)	2.13
Std. Dev. (of annualized rtn)	0.37

Fund Information

Source: Internal data

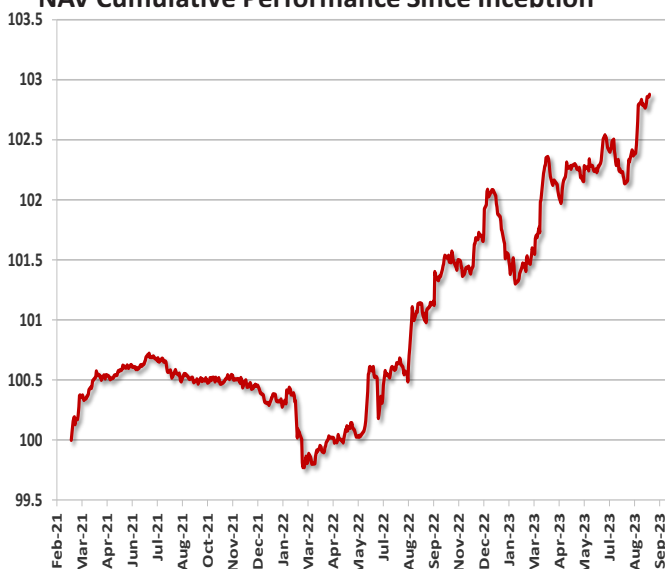
ISIN	IE00BKPKGX98	Performance Fee	20%
Bloomberg Code	RHRVUCA ID	Redemption	Daily
Inception Date	1 March 2021	Min. Subscription	100K EUR
Fund AUM	144MM EUR	Fund Manager	Andrea Seminara
Management Fee	1%		

Monthly Returns Since Inception

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year Tot.
2021			0.49%	0.06%	0.09%	0.12%	-0.15%	-0.02%	-0.03%	0.00%	-0.01%	-0.17%	0.32%
2022	0.00%	-0.31%	-0.05%	0.07%	0.03%	0.15%	0.40%	0.43%	0.22%	0.13%	0.14%	0.44%	1.76%
2023	-0.51%	0.00%	0.68%	0.07%	-0.02%	0.19%	-0.27%	0.64%	0.06%				0.83%

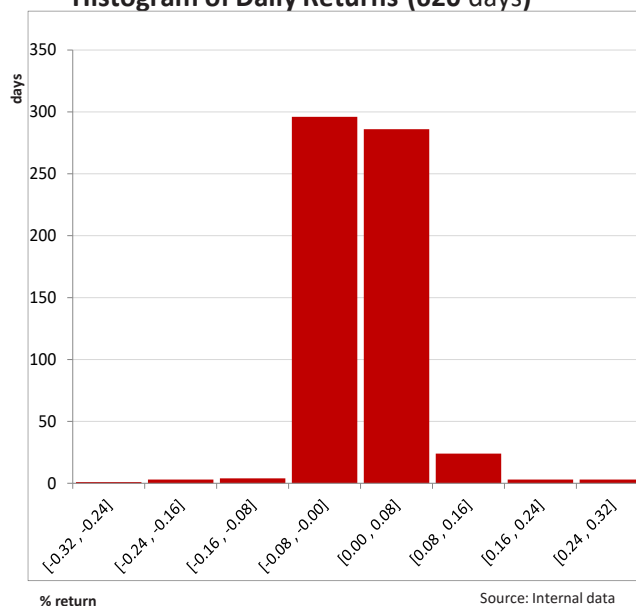
Source: Internal data

NAV Cumulative Performance Since Inception



Source: Internal data

Histogram of Daily Returns (620 days)



Source: Internal data

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For Swiss investors:

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Redhedge UCITS ICAV Relative Value UCITS Fund Class Z EUR

Monthly Newsletter –Week ending September 5th, 2023

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Performance

Source: Internal data

NAV	101.85		
Current Month	0.06%	1 Year Return (rolling)	1.32%
YTD	0.56%	Max Drawdown (Daily)	-0.31%
Inception	1.85%	Positive Mths Since Incept.	18
Annualized Rtrn Since Inc.	0.73%	Negative Mths Since Incept	13

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Ratios

Source: Internal data

Sharpe (annualized)	1.42
Std. Dev. (of annualized rtn)	0.35

Fund Information

Source: Internal data

ISIN	IE00BKPKGY06	Performance Fee	20%
Bloomberg Code	RHRVUCZ ID	Redemption	Daily
Inception Date	1 March 2021	Min. Subscription	10K EUR
Fund AUM	144MM EUR	Fund Manager	Andrea Seminara
Management Fee	1.5%		

Monthly Returns Since Inception

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year Tot.
2021			0.46%	0.03%	0.06%	0.08%	-0.19%	-0.05%	-0.07%	0.04%	-0.06%	-0.25%	-0.09%
2022	-0.03%	-0.35%	-0.09%	0.03%	-0.02%	0.11%	0.42%	0.43%	0.19%	0.10%	0.10%	0.43%	1.43%
2023	-0.55%	-0.04%	0.66%	0.04%	-0.06%	0.16%	-0.34%	0.64%	0.06%				0.56%

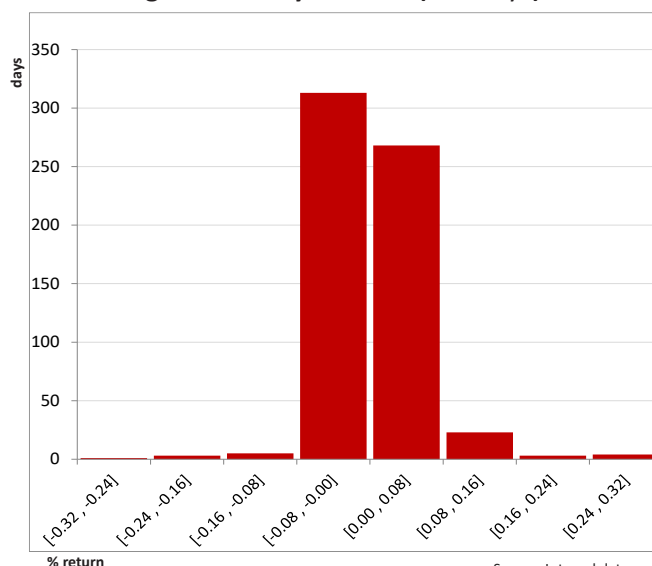
Source: Internal data

NAV Cumulative Performance Since Inception



Source: Internal data

Histogram of Daily Returns (620 days)



Source: Internal data

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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

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