

Redhedge UCITS ICAV Relative Value UCITS Fund Class A EUR

Monthly Newsletter –Week ending October 31st, 2023
For professional investors only. Not directed at retail investors

Performance

Source: Internal data

NAV	103.90		
Week	0.04%	1 Year Return (rolling)	2.38%
Current Month	0.55%	Max Drawdown (Daily)	-0.30%
YTD	1.83%	Positive Mths Since Incept.	20
Inception	3.90%	Negative Mths Since Incept	12
Annualized Rtrn Since Inc.	1.44%		

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)	2.50
Std. Dev. (of annualized rtn)	0.38

Fund Information

Source: Internal data

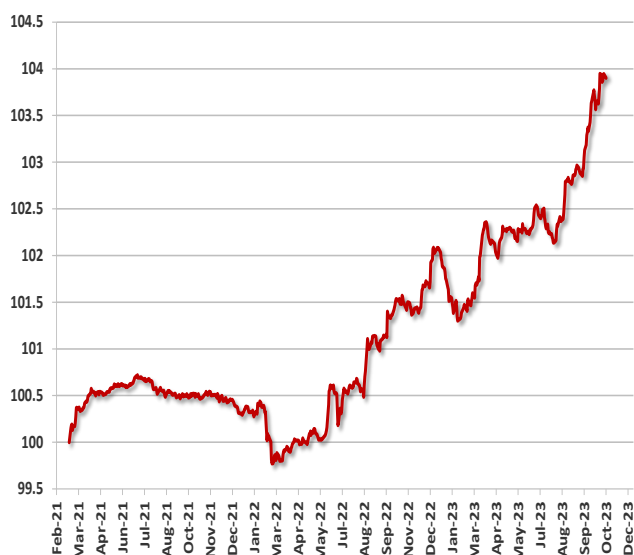
ISIN	IE00BKPKGX98	Performance Fee	20%
Bloomberg Code	RHRVUCA ID	Redemption	Daily
Inception Date	1 March 2021	Min. Subscription	100K EUR
Fund AUM	142MM EUR	Fund Manager	Andrea Seminara
Management Fee	1%		

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%	0.51%	0.55%			1.83%

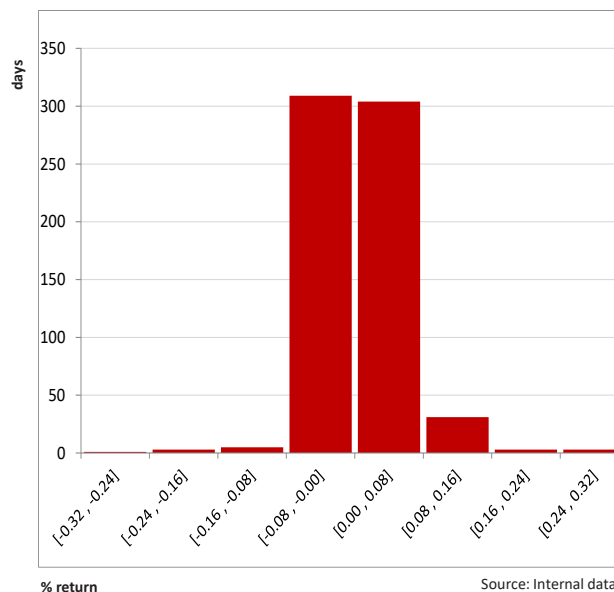
Source: Internal data

NAV Cumulative Performance Since Inception



Source: Internal data

Histogram of Daily Returns (659 days)



Source: Internal data

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For Swiss investors:

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Performance

Source: Internal data

NAV	102.81		
Week	0.03%	1 Year Return (rolling)	1.97%
Current Month	0.51%	Max Drawdown (Daily)	-0.31%
YTD	1.50%	Positive Mths Since Incept.	19
Inception	2.81%	Negative Mths Since Incept	13
Annualized Rtrn Since Inc.	1.04%		

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)	1.72
Std. Dev. (of annualized rtn)	0.39

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	142MM 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%	0.48%	0.51%			1.50%

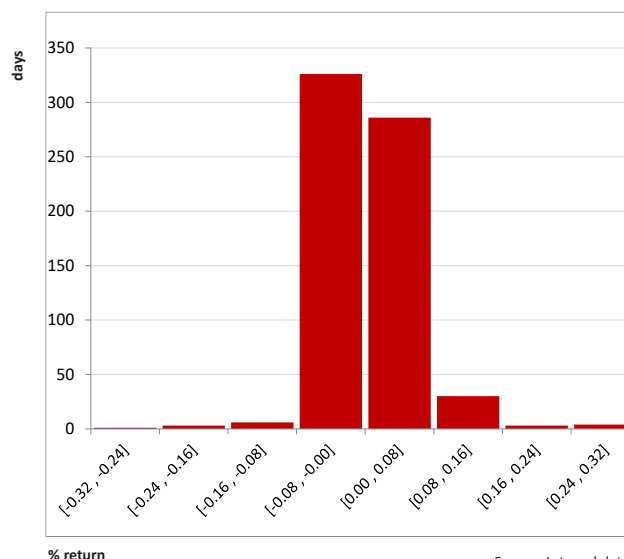
Source: Internal data

NAV Cumulative Performance Since Inception



Source: Internal data

Histogram of Daily Returns (659 days)



Source: Internal data

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Monthly Comment - Month ending October 31st, 2023

In October, geopolitical risks come to the fore again, with the terrible events in Israel and Gaza on everyone's mind. While the personal impact cannot be overstated, markets' reaction to the conflict was more muted. We saw the ITraxx Main IG Index unchanged to 1bp tighter at 83.5bp, while the ITraxx XOVER HY index was roughly unchanged at 439bp. IG cash bonds were also resilient as they tightened by about 2bps over the month to 153bp spread area. Away from that, we saw continued volatility in rates, with significant steepening of curves (GDBR 2s10s are 8.5bps steeper, UST 2s10s even more at 21.5bps). This is the direct result of "higher for longer" and expected issuance in the long-end. With the steepening of the curve helping to tighten financial conditions, Central Banks can take a slightly more dovish approach to the next meetings. That hope has definitely underpinned credit markets once again, which as we mentioned earlier, are closing more or less unchanged on the month.

Our strategy continued to benefit in this higher volatility environment as we were able to take profit on some relative value trades continuing the performance of September. We continue to be cautious in this environment as we note a few tail risks in the near to medium term. Rates volatility continues to be a worry as bear steepening in the rates curve continues to weigh on risk assets such as equities and credit. Further, with the crisis in the Gaza strip, the market is not yet pricing in the risk of an escalation drawing in its neighbours, in particular Iran. This can change if/when the ground invasion of Gaza starts in earnest. For the moment, from a markets point of view, the market still regards this incident as isolated and no contagion. However, like we saw with Covid back in early 2020 and the Russian-Ukraine invasion in 2022, these events are well flagged and discounted by the markets before completely blowing up and catching investors off guard. At Redhedge, while we hope that events will de-escalate and be resolved, we are also careful with tail risks and try to protect the portfolio from these.

We have also noted that market participation all-year has been poor and liquidity on average a bit more challenging. We think it is because there is a lot of confusion in the market and market participants are more willing to sit on the sidelines in a "wait-and-see" mode. Further, after the crisis post-Covid and Russia-Ukraine, a lot of real money we believe is running much more efficiently, and in cleaner positions in their portfolio. A lot of so-called "lazy" longs or shorts or marginal positions have mostly been stopped out. This meant that during weakness, real money is less forced to trim positions; this was also helped by more stable fund inflows/outflows this year. However, during market rebounds, real money is more cautious and prefers to wait for more stability before putting capital to work. At Redhedge, we have also done the same by continuing to optimise our gross usage to make sure we achieve higher efficiency in our portfolio.

Redhedge Investment Team

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