Redhedge UCITS ICAV
Relative Value UCITS Fund
Class A EUR

Weekly newsletter – **Week ending February 6th, 2024**

For professional investors only. Not directed at retail investors

Fund overview

The Redhedge Relative Value UCITS Fund focuses on core liquid European Investment Grade Credit employing a market neutral, relative value investment strategy. This strategy aims to optimise risk-adjusted returns while minimising returns volatility and potential drawdowns by using a long-short approach, hedged against downside risk. The investment process consists of idea generation and relative value credit selection and is driven by a combination of both quantitative and fundamental credit analysis. This repeatable and scalable process is focused on identifying the most attractive relative value credit opportunities, centre to our core investment philosophy to maintain consistency and discipline regardless of market direction, volatility, or conditions.

Performance

Source: Internal data

NAV	103.49
Week Return	0.08%
Current Month Return	0.05%
YTD Return	0.21%
1-Year Rolling Return	2.16%
Rtrn Since Incept.	3.49%
Annualized Rtrn Since Incept.	1.17%
Max Drawdown (Weekly)	-0.30%
Positive Months Since Incept.	23
Negative Months Since Incept.	13

Ratios

Source: Internal data

Sharpe Ratio (Since Inception)	1.56
Std.Dev. of Annualized Rtrn (Since Inception)	0.75

Fund Information

Source: Internal data

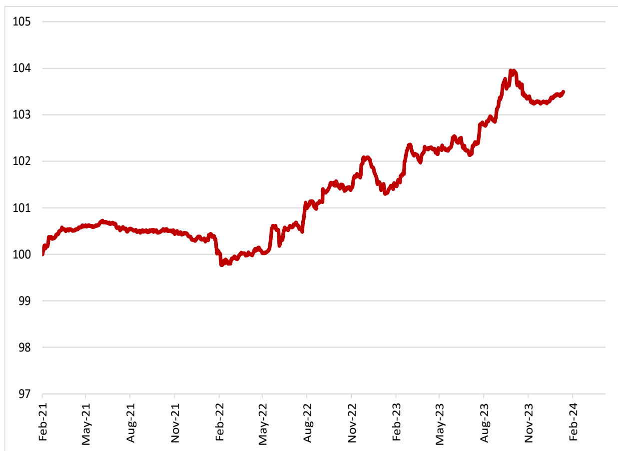
ISIN	IE00BKPKGX98
Bloomberg Code	RHRVUCA ID
Inception Date	26 Mar 2021
Fund AUM	142mm EUR
Fund Manager	Andrea Seminara
Management Fee	1.00%
Performance Fee	20.00%
Redemption	Daily
Min. Subscription	100K EUR

Monthly Returns Since Inception

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year Tot.
2021			0.45%	0.06%	0.09%	0.12%	-0.15%	-0.04%	-0.03%	0.00%	-0.01%	-0.17%	**0.32%**
2022	0.00%	-0.31%	-0.07%	0.07%	0.03%	0.15%	0.46%	0.42%	0.29%	0.13%	0.14%	0.44%	**1.76%**
2023	-0.55%	-0.00%	0.68%	0.07%	-0.02%	0.19%	-0.27%	0.64%	0.51%	0.55%	-0.56%	-0.05%	**1.17%**
2024	0.16%	0.05%											**0.21%**

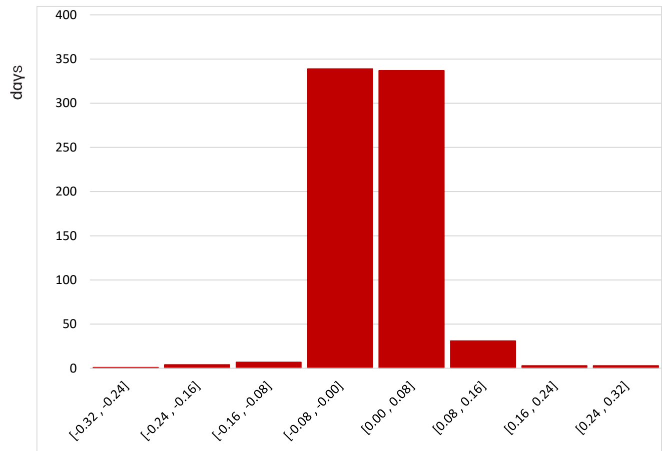
Source: Internal data

NAV Price Performance Since Inception



Source: Internal data

Histogram of Daily Returns (725 days)



% return

Source: Internal data

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Performance

Source: Internal data

NAV	102.29
Week Return	0.07%
Current Month Return	0.05%
YTD Return	0.17%
1-Year Rolling Return	1.76%
Rtrn Since Incept.	2.29%
Annualized Rtrn Since Incept.	0.77%
Max Drawdown (Weekly)	-0.31%
Positive Months Since Incept.	20
Negative Months Since Incept.	16

Ratios

Source: Internal data

Sharpe Ratio (Since Inception)	0.98
Std.Dev. of Annualized Rtrn (Since Inception)	0.78

Fund Information

Source: Internal data

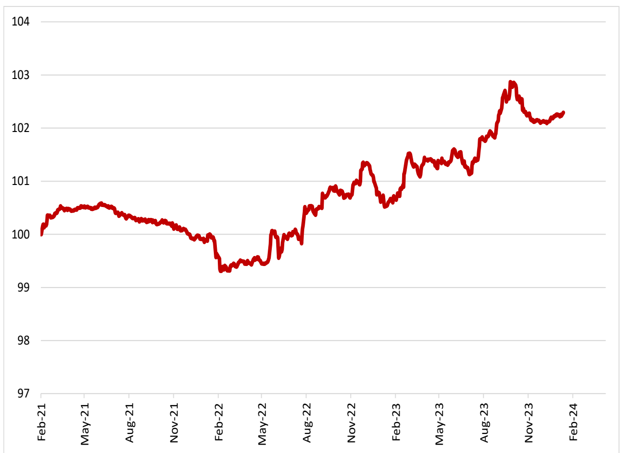
ISIN	IE00BKPKGY06
Bloomberg Code	RHRVUCZ ID
Inception Date	26 Mar 2021
Fund AUM	142mm EUR
Fund Manager	Andrea Seminara
Management Fee	1.50%
Performance Fee	20.00%
Redemption	Daily
Min. Subscription	10K EUR

Monthly Returns Since Inception

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year Tot.
2021			0.41%	0.03%	0.06%	0.08%	-0.19%	-0.07%	-0.06%	-0.04%	-0.06%	-0.23%	**-0.07%**
2022	-0.04%	-0.35%	-0.11%	0.03%	-0.02%	0.11%	0.49%	0.42%	0.26%	0.10%	0.10%	0.41%	**1.41%**
2023	-0.60%	-0.04%	0.66%	0.04%	-0.06%	0.16%	-0.34%	0.64%	0.48%	0.51%	-0.59%	-0.08%	**0.77%**
2024	0.13%	0.05%											**0.17%**

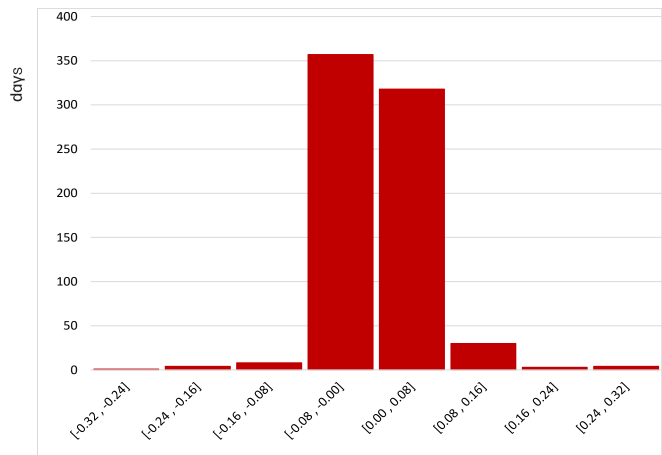
Source: Internal data

NAV Price Performance Since Inception



Source: Internal data

Histogram of Daily Returns (725 days)



% return

Source: Internal data

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Monthly Comment - Month ending 31st January 2024

January has been relatively uneventful for spreads and yields, with both trading at a relatively tight range. While investors were focused on deploying capital into credit (adding duration and moving credit exposure from low-to higher quality) central bankers have been busy trying to talk down market participants expectations of timing (and extent) of rate cuts. The result was an outperformance of IG credit relative to HY and issuance across the credit spectrum being absorbed easily and with little to no premium to secondaries. The Itraxx Main IG index ended the month slightly tighter by 1.5bps to close at just under 60bps spread and the Itraxx XOVER HY index ended the month roughly unchanged at 326bps spread. We saw cash outperform synthetics as we saw the IEAC (IG Corporate) ETF close the month 5bps tighter.

We entered the new year after a very strong rally in credit spreads in December due to multiple reasons, but mainly from very strong technicals and market expectations of aggressive and faster rate cuts in 2024. Even now, close to 6 cuts in priced in 2024 in both Europe and US, as the market expects inflation to continue to drift lower and that central banks would need to act faster. Very strong inflows into both active and passive funds also contributed to the rally in credit. However, we also saw that when spreads approached very tight levels, there was more resistance for spreads to go tighter. After all, at these tight spread levels (which are the tightest levels since 2022) we think that the risk-reward for being outright long is very skewed to the downside as the market is pricing in only good news at the moment. As such, we are adopting a more cautious stance.

Very constructive markets also contributed to compression in credit. We see especially in Corporate Hybrids where the Subordinated Hybrid bonds have compressed towards their Senior Unsecured bonds. At these levels, we like decompression trades, because we think that the downside is low, and we would be able to take advantage of the upside convexity when volatility will eventually return to the market. For the same reasoning, we also like IG over HY, and Senior debt over Subordinated debt as we look to implement this trade via a variety of expressions to diversify our portfolio. We think that while it is possible for spreads to continue to tighten as investors have no macro worries, we don't think market would move in a straight line tighter forever. As we saw on the last day of January, the calm didn't last, and much higher than expected loan loss provisions at NYCB (New York Community Bancorp), on the back of CRE exposure, lead to wild swings in US Regional Bank stocks in the US especially with SVB (Silicon Valley Bank) & CS (Credit Suisse) still fresh in investors' memories. At first glance, the issues at NYCB appear to be idiosyncratic, but clearly there is concern that other financial institutions will have to take similar losses on their Real Estate loan portfolios.

Redhedge Investment Team

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