

Redhedge ICAV

RV Corporate Bonds Fund

Weekly newsletter – Week ending February 27th, 2024

For professional investors only. Not directed at retail investors

Performance

Source: Internal data

NAV	120.32	Annualized Rtrn Since Incept.	2.52%
Week Return	0.04%	Max Drawdown (Weekly)	-0.38%
Current Month Return	0.21%	Positive Months Since Incept.	70
YTD Return	0.48%	Negative Months Since Incept.	20
1-Year Rolling Return	1.66%		
Rtrn Since Incept.	20.32%		

Fund overview

Redhedge focuses on managing liquid alternative Relative Value Credit Market-Neutral strategies. Our strategy is founded on the fact that short-term price volatility can temporarily lead to the relative mispricing in credit markets leading to relative value trading opportunities. Our core investment philosophy is to maintain consistency and discipline regardless of market direction, volatility or conditions. By maintaining this disciplined approach, we can minimize the volatility and potential negative drawdowns. The investment process consists of idea generation and relative value credit selection. Portfolio construction is driven by the team's quantitative approach combined with fundamental credit analysis. This repeatable and disciplined process is focused on identifying the most attractive relative value credit opportunities across the European credit universe.

Ratios

Source: Internal data

Sharpe Ratio (Since Inception)	2.61
Std.Dev. of Annualized Rtrn (Since Inception)	0.96

Fund Information

Source: Internal data

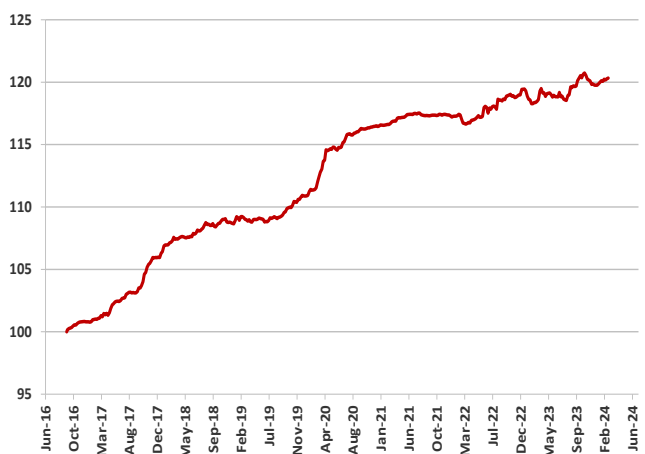
ISIN	IE00BD1R9143	Management Fee	1.00%
Bloomberg Code	RRVCBAE ID	Performance Fee	25.00%
Inception Date	23 Sept 2016	Redemption	Weekly
Fund AUM	124mm EUR	Min. Subscription	100K EUR
Fund Manager	Andrea Seminara		

Monthly Returns Since Inception

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year Tot.
2016									0.16%	0.39%	0.23%	0.01%	0.80%
2017	0.17%	0.10%	0.39%	0.07%	0.89%	0.22%	0.40%	0.04%	0.38%	1.59%	0.75%	0.02%	5.13%
2018	0.93%	0.21%	0.25%	0.17%	-0.06%	0.25%	0.37%	0.34%	0.06%	0.04%	0.32%	-0.34%	2.57%
2019	0.42%	0.01%	-0.16%	0.01%	0.05%	-0.21%	0.37%	-0.02%	0.38%	0.46%	0.44%	0.24%	2.01%
2020	0.48%	0.12%	1.91%	0.80%	0.18%	0.02%	0.87%	-0.02%	0.32%	0.08%	0.13%	0.05%	5.03%
2021	0.08%	0.06%	0.23%	0.24%	0.20%	0.09%	0.01%	-0.15%	0.02%	-0.01%	0.07%	-0.11%	0.72%
2022	-0.01%	-0.20%	-0.23%	0.21%	0.16%	0.66%	0.06%	0.44%	0.03%	0.36%	-0.11%	0.45%	1.82%
2023	-0.72%	-0.17%	0.94%	-0.36%	-0.10%	0.19%	-0.50%	0.83%	0.46%	0.52%	-0.53%	-0.28%	0.26%
2024	0.27%	0.21%											0.48%

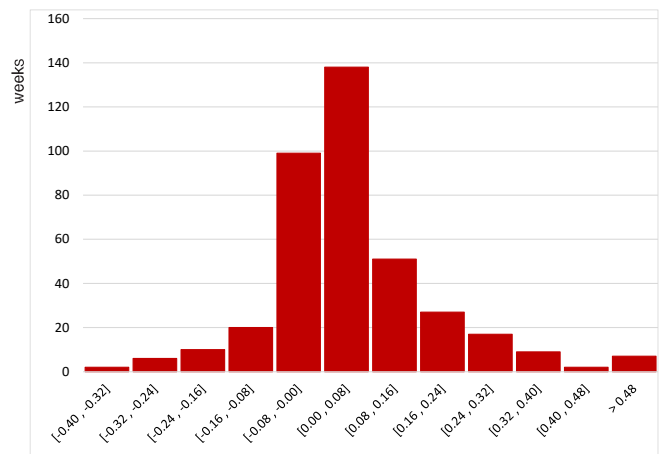
Source: Internal data

NAV Price Performance Since Inception



Source: Internal data

Histogram of Weekly Returns (388 weeks)



% return

Source: Internal data

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RED HEDGE

Investors services:

Email:

Website:

+44 (0)20 3940 5626

info@redhedge.com

www.redhedge.com

Monthly Comment - Month ending 29th February 2024

February was, similar to January, relatively uneventful for credit. We saw spreads trading in a tight range (and at recent tights) as investors deployed capital into both primary issuance and secondaries. The large inflows into HY / IG credit that we've seen YTD continued, meaning that correlations to equities / rates came down, as we saw a gradual widening in € & \$ rates as inflation expectations proved to be a bit too optimistic and priced central bank cuts were pushed back. We look at € rates, with the 10y near 2.50% a pivotal level, which could lead to a re-pricing wider in credit, and particularly long-duration IG, if it trades through that level. At the same time, yield buyers and inflows continue to support the strong buying technical; supporting credit spreads despite at the tights. The Itraxx EUR Main IG Index ended the month 6bps tighter, while Itraxx XOVER HY Index tightened by 29bps. We did however see cash, outperform CDS, closing 11bps and 42bps tighter on the month respectively.

The CRE market (and bank exposure to it) continues to be a source of worry, though it is considered entirely idiosyncratic for now with no effect on markets / issuers outside of those directly impacted. It is noteworthy that the market was quick to reprice Deutsche Pfandbriefbank's (PBBGR) bonds, which tumbled 10+ points as investors became concerned about their CRE exposure in a matter of days but other European lenders barely moved wider in sympathy. This reflects the euphoria in the markets as these tail risks are not discounted as risk premium for now.

Our investment strategy provided a positive return for the month of February, even in an unfavourable environment with low realised volatility and persistent one-way market grind tighter. We believe spreads are too tight (vs historical levels and other asset classes) and we are patiently waiting for the right opportunities. We continue to like decompression trades with high convexity as well as relative-value trades in corporate hybrids.

Redhedge Investment Team

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