Redhedge ICAV
Synergy Total Return Fund

Monthly newsletter – **Month ending April 30th, 2024**

For professional investors only. Not directed at retail investors

Fund overview

The Redhedge Total Return Synergy Fund focuses on core European Investment Grade Credit employing a market neutral, relative value investment approach. The Synergy Fund was launched on the back of strong investor demand and is an evolution of our existing fund products, building on more than eight years of track record, experience and expertise in relative value strategies where we aim to deliver returns while protecting downside. The Synergy fund implements the same investment and risk management approach that is embedded in Redhedge's DNA, with a higher risk and volatility tolerance seeking to enhance returns.

Performance

Source: Internal data

NAV	117.81		
Current Month Return	1.05%	Annualized Rtrn Since Incept.	12.27%
YTD Return	3.00%	Max Drawdown (Monthly)	-1.74%
1-Year Rolling Return	6.66%	Positive Months Since Incept.	15
Rtrn Since Incept.	17.81%	Negative Months Since Incept.	2

Ratios

Source: Internal data

Sharpe Ratio (Since Inception)	3.25
Std.Dev. of Annualized Rtrn (Since Inception)	3.77

Fund Information

Source: Internal data

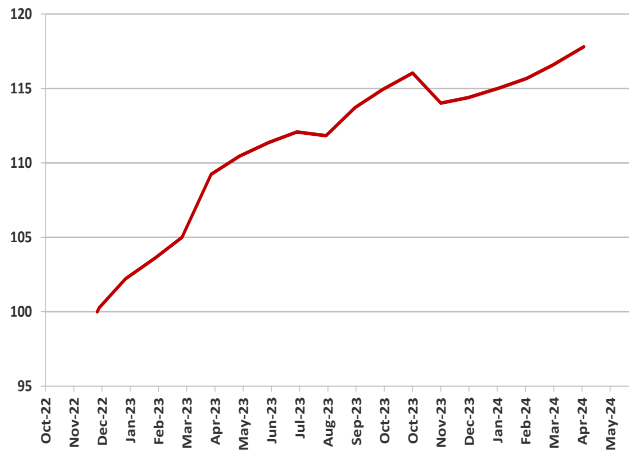
ISIN	IE00074WAWF2	Management Fee	1.00%
Bloomberg Code	RHSYNNE ID	Performance Fee	25.00%
Inception Date	30 Nov 2022	Redemption	Monthly
Fund AUM	49mm EUR	Min. Subscription	100k EUR
Fund Manager	Andrea Seminara		

Monthly Returns Since Inception

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year Tot.
2022												2.21%	**2.21%**
2023	1.38%	1.33%	4.03%	1.11%	0.83%	0.65%	-0.23%	1.69%	1.06%	0.97%	-1.74%	0.32%	**11.90%**
2024	0.56%	0.57%	0.78%	1.05%									**3.00%**

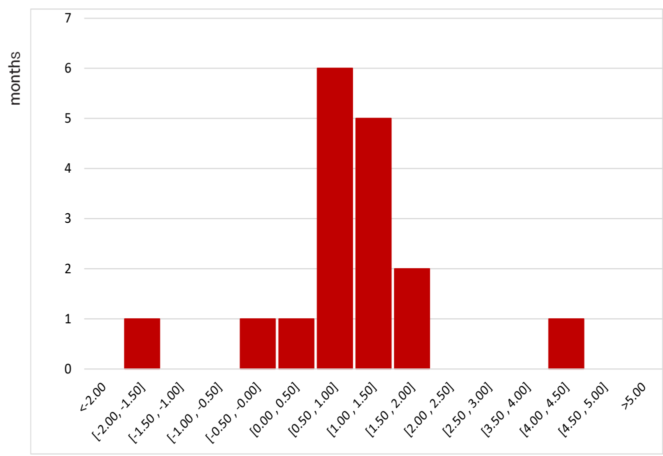
Source: Internal data

NAV Price Performance Since Inception



Source: Internal data

Histogram of Monthly Returns (17 months)



% return

Source: Internal data

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Synergy Total Return Fund USD Simulated*

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USD Share Classes for the Fund will be launched in February 2024. Here follows a simulation of USD returns based on N-EUR Share Class:

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Performance

Source: Internal data

NAV	120.24		
Current Month Return	1.14%	Annualized Rtrn Since Incept.	13.90%
YTD Return	3.36%	Max Drawdown (Monthly)	-1.58%
1-Year Rolling Return	7.99%	Positive Months Since Incept.	15
Rtrn Since Incept.	20.24%	Negative Months Since Incept.	2

Ratios

Source: Internal data

Sharpe Ratio (Since Inception)	3.55
Std.Dev. of Annualized Rtrn (Since Inception)	3.91

Fund Information

Source: Internal data

ISIN	IE00074WAWF2	Management Fee	1.00%
Bloomberg Code	RHSYNNE ID	Performance Fee	25.00%
Inception Date	30 Nov 2022	Redemption	Monthly
Fund AUM	49mm EUR	Min. Subscription	100k EUR
Fund Manager	Andrea Seminara		

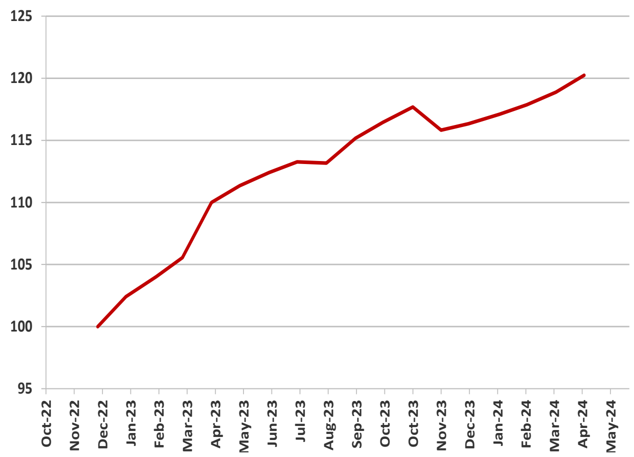
USD Monthly Returns Since Inception

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year Tot.
2022												2.41%	2.41%
2023	1.57%	1.47%	4.21%	1.23%	0.95%	0.76%	-0.08%	1.76%	1.12%	1.05%	-1.58%	0.44%	13.60%
2024	0.65%	0.66%	0.86%	1.14%									3.36%

USD Share Classes for the Fund will be launched in February 2024. Here follows a simulation of USD returns based on N-EUR Share Class:

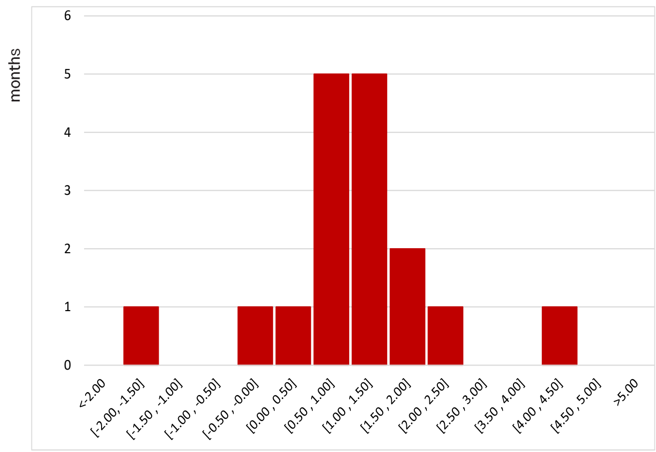
Source: Internal data

NAV Price Performance Since Inception



Source: Internal data

Histogram of Monthly Returns (17 months)



Source: Internal data

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Monthly Comment - April 2024

The volatility that wasn't quite yet apparent in March (though there were indicators such as higher dispersion in IG / HY and increasing CDS Option volatility) came to the fore in April. The initial catalyst for investors reassessing their risk exposure was heightened geopolitical risk, but like past months, markets became comfortable once the risk of a meaningful escalation between Iran/Israel was relatively low. However, credit spreads were unable to rally meaningfully and instead stubbornly high inflation data in the US became a bigger concern. With the US 10Y Treasuries closing 50bps wider on the month (and German Bunds closing nearly 30bps wider) the environment for credit is deteriorating. We continue seeing issuers' average financing costs gradually go up, and bigger debt structures are increasingly finding it difficult to pass on those costs.

US 2Y rates above 5% suggests that 'Higher for longer' is now well priced in the rates market, but notably it has not yet fed through to credit to the extent we anticipated. IG Seniors were only 1bp wider on the month in April, CDS indices were marginally wider with the Itraxx Main (IG) Index 1.5bp wider on the month and the Itraxx Xover (HY) Index 20bps wider on the month, underperforming IG indices reflecting the decompression between HY and IG. We think that with 2 main risk factors in the near-to-medium term, are higher inflation and higher geo-political risks.

In both IG Seniors and Corporate Hybrids we have seen the market dynamics shift in the recent weeks, as issuers have continued to take advantage of market conditions to issue debt and Fund Flows (especially in HY) have turned from positive to negative. This is a marked shift from the past 6 months, where there was always an underlying bid in the market, so credit is much more vulnerable to negative external impacts – and we saw a couple of weak days this month off some negative headlines. In other words, we suspect that the incessant rally in the past 6 months is finally starting to run out of steam and susceptible to repricing wider.

Spreads rebounded back to tights by the end of the month and volatility continues to be low overall. Despite these adverse conditions to the strategy throughout most of this year, the strategy continues to generate performance. This month, we took advantage of the small volatility spike to take profit on some of the pair trades and will look to re-enter those anytime volatility comes down. This contributed to the c.+1.05% net returns in the Synergy Total Return fund in April. We took profit on some of our long lower beta vs short higher beta pair trades such as STLA vs BMW in auto sector, VZ vs TELEFO in TMT sector and others. Decompression trades also contributed to returns during the volatility spike but gradually retraced their moves, giving up some performance. We continue to maintain our decompression trades in case of a further move wider on a geo-politics, valuation and inflation catalysts as we think the trades remain convex with appealing risk-reward. The names the have decompression on include EDPPL, NGGLN, VW and others in corporates and SOCGEN, DB, DANSKE and others in financials. We also think curves in senior corporates are starting to look flat and we are opportunistically setting up steepeners in names that have flattened the most and have highest risk of steepening. We continue to position defensively as we think that spreads are at the tights of the range and risk-reward for long risk continues to be poor here.

Redhedge Investment Team

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