Redhedge ICAV
RV Corporate Bonds Fund

Monthly newsletter – **July 2024**

For professional investors only. Not directed at retail investors

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.

Performance

Source: Internal data

NAV	120.41
Week Return	0.02%
Current Month Return	-0.10%
YTD Return	0.55%
1-Year Rolling Return	1.55%
Rtrn Since Incept.	20.41%
Annualized Rtrn Since Incept.	2.39%
Max Drawdown (Weekly)	-0.42%
Positive Months Since Incept.	73
Negative Months Since Incept.	22

Ratios

Source: Internal data

Sharpe Ratio (Since Inception)	2.43
Std.Dev. of Annualized Rtrn (Since Inception)	0.99

Fund Information

Source: Internal data

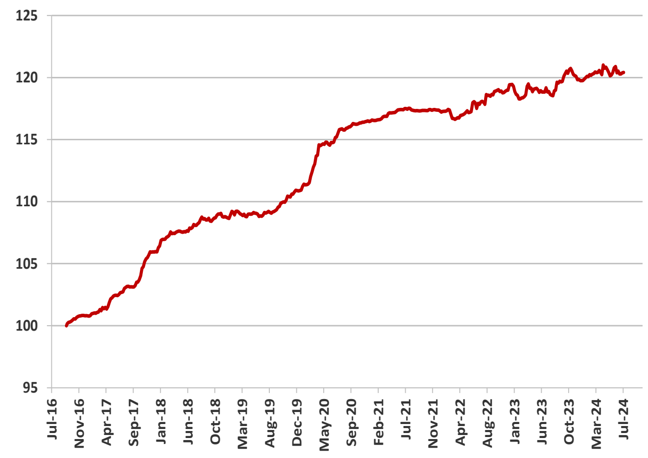
ISIN	IE00BD1R9143
Bloomberg Code	RRVCBAE ID
Inception Date	23 Sept 2016
Fund AUM	71mm EUR
Fund Manager	Andrea Seminara
Management Fee	1.00%
Performance Fee	25.00%
Redemption	Weekly
Min. Subscription	100K EUR

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%	0.08%	0.35%	-0.36%	0.10%	-0.10%						**0.55%**

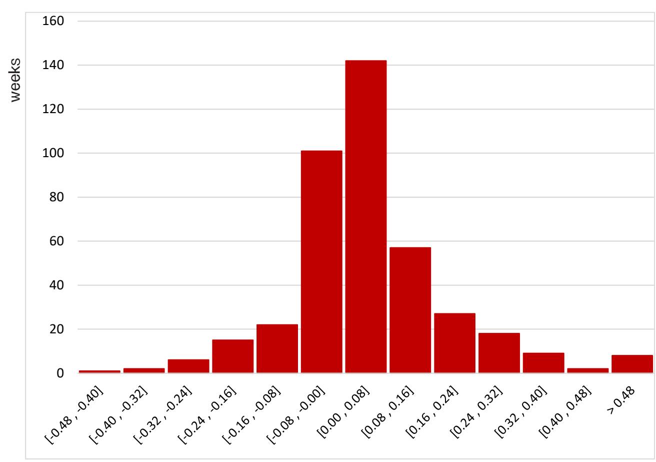
Source: Internal data

NAV Price Performance Since Inception



Source: Internal data

Histogram of Weekly Returns (410 weeks)



% return

Source: Internal data

DISCLAIMER

For Swiss investors:

RED HEDGE

Investor services: +44 (0)20 3940 5626

Email: info@redhedge.com

Website: www.redhedge.com

Monthly Comment – July 2024

As is so often the case, after a bit of volatility, markets came to terms with the risks of the French Snap Election, very quickly. As soon as the fear of a Far Left or Far Right majority had come down, the risk aversion turned into a mad scramble to buy risk and carry ahead of the quiet summer period. The fact that the political situation in France remains 'unresolved', with the parties finding it difficult to form a stable government, is now only relevant for OATs and French risk and no longer front and centre for most market participants.

Our relative value strategy was not negatively impacted by the volatility caused by the snap French elections. CDS decompression trades in Societe Generale performed particularly well. Deutsche Bank and Danske Bank capital structure trades also did well, as risk premia increased. On the other hand, some long-short pairs (long core French Banks vs short Italian Banks) underperformed. We managed to take profit on some CDS decompression trades as they widened, as well as in bond vs bond decompression in Credit Agricole (ACAFP) where we were short in the non-preferred seniors vs long preferred seniors.

The French election wasn't the only political upheaval in July, as the attempted assassination of Donald Trump, President Biden stepping away from the election and Vice-President Harris becoming the presumptive Democratic Nominee, re-focused everyone's attention on US elections. We can now expect 4 months of headline news ahead of us, as polls both nationally and in swing states remain incredibly close and "Trump Trades" will move in and out of favour in line with his polling data. The impact on markets is not obvious regardless of who becomes president, and we think the focus will be on fiscal policy, severity of trade war/tariffs and foreign policy (both in Ukraine as well as NATO and the Middle-East).

Month on month, both IG and HY spreads have rallied. CDS indices are 5 and 20bps tighter respectively in ITRX EUR and ITRX XOVER, while Cash indices in Europe are 5bps and 3bps tighter in IG and HY each. Masked by the overall strength in the market, we have seen dispersion creeping up, as the number and magnitude of earnings disappointments have increased, particularly in Autos (Ford, Stellantis) and Consumer Goods (Kering, LVMH) with strong exposure to China. The increased idiosyncratic risk and volatility will present good opportunities in the next quarter.

In the summer months, we keep our gross exposures clean, as low participation and low volatility can lead to increased technical dislocations. When these occur, as we have already seen following some corporate earnings reporting, we are in a good position to deploy risk. This is particularly important in Corporate Hybrids, where the rates move tighter and little issuance leads to a big rally in the last week of the month. As a result of this, hybrids outperformed IG seniors and retraced the majority of their underperformance.

In addition, in the corporate hybrids space, S&P is considering removing equity content from corporate hybrids with sliding step-up features. S&Ps thinking is that the sliding step-up feature increases refinancing risk and weakens the equity-like characteristics of the instruments. Two issuers with some hybrid instruments impacted by this are EDP SA and Abertis Infraestructuras, S.A. with the loss of equity content leading to a potential call at 101. Such a change, whilst unexpected, we believe would have limited impact on the corporate hybrids asset class, since only 2 issuers and 7 instruments are impacted. Nevertheless, this type of methodology change is a good illustration of why we follow the corporate hybrid market so closely, to ensure we can take advantage of attractive opportunities when they present themselves.

Redhedge Investment Team

RED HEDGE

Investor services: **+44 (0)20 3940 5626**
Email: **info@redhedge.com**
Website: **www.redhedge.com**