Redhedge UCITS ICAV
Relative Value UCITS Fund
Class A EUR

Monthly newsletter – **December 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	104.82	Annualized Rtrn Since Incept.	1.23%
Week Return	0.00%	Max Drawdown (Weekly)	-0.30%
Current Month Return	-0.17%	Positive Months Since Incept.	31
YTD Return	1.50%	Negative Months Since Incept.	15
1-Year Rolling Return	1.50%		
Rtrn Since Incept.	4.82%		

Ratios

Source: Internal data

Sharpe Ratio (Since Inception)	1.77
Std.Dev. of Annualized Rtrn (Since Inception)	0.70

Fund Information

Source: Internal data

ISIN	IE00BKPKGX98	Management Fee	1.00%
Bloomberg Code	RHRVUCA ID	Performance Fee	20.00%
Inception Date	26 Mar 2021	Redemption	Daily
Fund AUM	163mm EUR	Min. Subscription	100K EUR
Fund Manager	Andrea Seminara		

Monthly Returns Since Inception

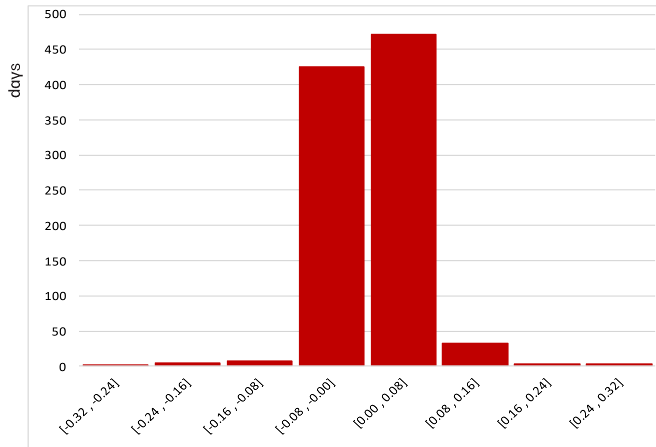
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year Tot.
2021			0.45%	0.06%	0.09%	0.12%	-0.15%	-0.04%	-0.03%	0.00%	-0.01%	-0.17%	**0.32%**
2022	0.00%	-0.31%	-0.07%	0.07%	0.03%	0.15%	0.46%	0.42%	0.29%	0.13%	0.14%	0.44%	**1.76%**
2023	-0.55%	0.00%	0.68%	0.07%	-0.02%	0.19%	-0.27%	0.64%	0.51%	0.55%	-0.56%	-0.05%	**1.17%**
2024	0.16%	0.19%	0.23%	0.26%	-0.08%	0.19%	0.16%	0.05%	0.20%	0.13%	0.17%	-0.17%	**1.50%**

Source: Internal data

NAV Price Performance Since Inception

Source: Internal data

Histogram of Daily Returns (949 days)



% return

Source: Internal data

DISCLAIMER

For Swiss investors:

The domicile of the Fund is Ireland. The Representative of the Fund in Switzerland is OpenFunds Investment Services AG, with its registered office at Seefeldstrasse 35, CH-8008 Zurich, Tel +41 44 500 31 08, www.open-funds.ch. Società Bancaria Ticinese SA, Piazza Collegiata 3, 6501 Bellinzona, Tel. +41 91 821 51 21, Fax. + 41 91 825 66 18, www.bancaria.ch. The distribution of Shares of the Fund in Switzerland must be made exclusively to Qualified Investors. The place of performance and jurisdiction for the Shares of the Fund distributed in Switzerland is at the registered office of the Representative. Publications to Swiss investors in respect of the Shares of the Fund are effected on the electronic platform www.fundinfo.com.

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Performance

Source: Internal data

NAV	103.23
Week Return	-0.01%
Current Month Return	-0.20%
YTD Return	1.09%
1-Year Rolling Return	1.09%
Rtrn Since Incept.	3.23%
Annualized Rtrn Since Incept.	0.83%
Max Drawdown (Weekly)	-0.31%
Positive Months Since Incept.	28
Negative Months Since Incept.	18

Ratios

Source: Internal data

Sharpe Ratio (Since Inception)	1.15
Std.Dev. of Annualized Rtrn (Since Inception)	0.72

Fund Information

Source: Internal data

ISIN	IE00BKPKGY06
Bloomberg Code	RHRVUCZ ID
Inception Date	26 Mar 2021
Fund AUM	163mm EUR
Fund Manager	Andrea Seminara
Management Fee	1.50%
Performance Fee	20.00%
Redemption	Daily
Min. Subscription	10K EUR

Monthly Returns Since Inception

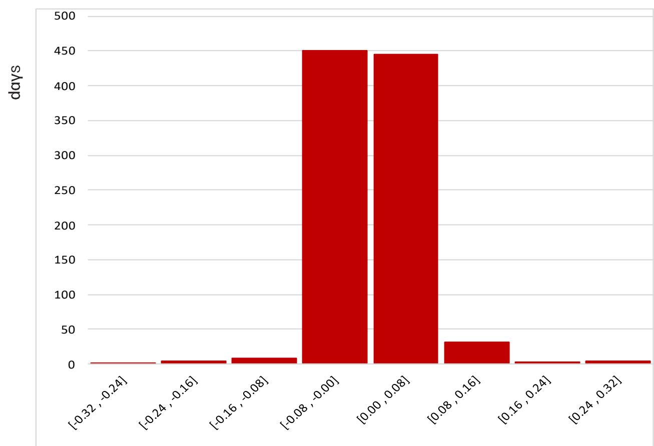
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year Tot.
2021			0.41%	0.03%	0.06%	0.08%	-0.19%	-0.07%	-0.06%	-0.04%	-0.06%	-0.23%	**-0.07%**
2022	-0.04%	-0.35%	-0.11%	0.03%	-0.02%	0.11%	0.49%	0.42%	0.26%	0.10%	0.10%	0.41%	**1.41%**
2023	-0.60%	-0.04%	0.66%	0.04%	-0.06%	0.16%	-0.34%	0.64%	0.48%	0.51%	-0.59%	-0.08%	**0.77%**
2024	0.13%	0.16%	0.20%	0.22%	-0.12%	0.16%	0.13%	0.02%	0.15%	0.10%	0.14%	-0.20%	**1.09%**

Source: Internal data

NAV Price Performance Since Inception

Source: Internal data

Histogram of Daily Returns (949 days)



% return

Source: Internal data

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Monthly Comment - December 2024

As we approached the end of 2024 (and President-Elect Donald Trumps' inauguration), volumes and volatility in European Credit markets remained very subdued, issuance ground to a halt and market participants turned their focus towards 2025. As a result, liquidity was lower (and transaction costs a lot higher) than usual. Going into year-end with a comparatively small gross, we were able to pick our spots providing liquidity, to put on new pair-trades and add to existing positions at attractive levels, that can be monetised once market liquidity normalises in the new year.

The macro-economic environment in December was largely a continuation of what we saw in November, with yields in both the United States & Europe continuing to climb. The 10y closed around 4.5% and 2.35% respectively, and while we expect that to continue a bit further in the New Year, we think we are closer to the end than the beginning of this move wider. The move lower in bonds has largely been driven by a more optimistic outlook for Donald Trump's 2nd term, but also because of economic data that has remained resilient. Time will tell whether these are outliers or part of a larger trend, but we remain positioned nimbly enough to be able to adjust in either case. We have also seen curves steepening across Developed Markets, making longer-end bonds more attractive once more.

A very similar scenario played out in Q1 2024, when yields moved 100bps wider (vs 120bps this time around) while equities and credit remained resilient. While it is possible that this time round mimics Q1 '24, we are more cautious and believe the higher funding costs, which are feeding through increasingly as rates stay at these elevated levels, will put additional pressure on companies' balance sheets, particularly the safe (but highly levered) ones.

In Europe, where demand in cyclicals has come under pressure, companies are facing pressure on both the cost/funding & revenue side. As a result, we do not think that credit spreads, which have remained well-anchored as buyers look for yield, provide interesting risk/reward at these levels. As we wrote in our year-end letter, we noted that Corporate Hybrids have compressed over the period to multi-year tights vs Corporate Senior bonds. We believe this is a good opportunity to set up decompression trades (Long Senior Bonds vs Short Subordinated (Hybrid) bonds) as the relationship has come back to an extreme level in terms of both spread differential and spread ratio. This is on the back of yield-hungry investors which have piled into higher-yielding Subordinated bonds subsequently pushing them to very tight levels which we believe is irrational especially when comparing on a relative value basis vs their corresponding Senior bonds. In other words, we believe the increase in subordination, and therefore risk, is not fairly compensated by their compressing spread differentials.

Therefore, we believe the risk-reward for these trades are skewed and convex to the upside. This is because we think that there is limited scope for further downside or compression (as it becomes more difficult to compress as the spread differential tightens) and larger upside, benefiting from both a market normalising scenario and a risk-off scenario.

Redhedge Investment Team

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