

↓ 0.48%\*

# Ironshield High Yield Alpha Fund

## Long/Short Credit

September 2022

### Performance Returns

\*The Ironshield High Yield Alpha Fund returned -0.48% for the month of September (EUR Institutional Class A)

### Investment Objective & Strategy

The Ironshield High Yield Alpha Fund is advised by Ironshield Capital Management's London-based team of traders and analysts. Ironshield was established in 2007 and manages portfolios of long and short positions with a principal focus on high yield European corporate credit.

The investment team's objective is to achieve absolute returns by investing in a diversified portfolio of long and short European corporate credits hedged with single names and index shorts to create a low net exposure credit fund. The fund targets low volatility across market cycles and is designed to be part of a core fixed income allocation. The investment process involves a dynamic allocation between 3 areas of return generation: capital appreciation, carry, and special situations. Credit selection is based on a holistic approach capturing mispricing opportunities driven by fundamentals, the macro environment, market technicals and relative value. The portfolio is focused on actively traded bonds, credit default swaps, total return swaps and interest rate derivatives.

### Monthly Commentary

September started on a positive note, supported by the possibility of US peak inflation being behind us. The trend quickly reversed from mid September when the US CPI surprised on the upside, signaling the Fed would have to carry on its aggressive rate hike path. The Fed chair Jerome Powell subsequently delivered a 75bp hike a week later and confirmed the price stability objective despite concerns on growth and unemployment. A sharper recession than anticipated thus became a more probable case and that reassessment fueled the risk-off mood both in the US and Europe.

The magnitude of the sell-off was comparable to June 2022 with high correlation across equities, rates, and credit. On equities, the S&P 500 and the Eurostoxx 50 were down -9.3% and -5.7% respectively. On the fixed income side, European high yield was down -4.1%, the XOVER index 13bps wider, and 5Y EUR swap rates 71bps wider.

During the month, we experienced an unusual combination of market negative drivers, including:

- fundamentals: major profit warnings including Fedex and Electrolux, two bellwethers of consumer discretionary spending patterns
- political: Italian elections, Putin continued squeeze on gas-supplies.
- technical: UK rates meltdown triggered by the negative feedback loop of local pension funds forced selling of Gilts to fund margin calls.

Our balanced long/short approach with minimal directional market exposure led to significant relative outperformance in September. In our capital appreciation bucket, we benefitted from the outperformance of a bond issued by a leading air cargo handling group which went up 8 points during the month following the announcement of its acquisition by a Singaporean competitor. In our carry/roll down bucket, several of our short dated high carry positions outperformed the rest of the market. We also avoided any exposure to Sterling bonds during the month and only added a very short dated GBP bond after the UK rates selloff at an attractive price.

Modest negative absolute performance during September was driven by technicals on our main macro-hedge, the Itraxx XOVER index which only widened 13bps during the month while European High Yield widened ~85bps. That basis was driven by a lag between cash and synthetic credit positions, and we expect that gap to close to the coming weeks.

Entering October, we see persisting high volatility on the macro side while we expect Q3 corporate results to disappoint on the down-side. We thus continue to favour our balanced long/short approach to capitalize on both macro trends and idiosyncratic events. Finally, thanks to the current market dislocation, the long/short book is now displaying a net annual yield of 5% whilst remaining market neutral.

### The Manager



### Fund Facts

Structure	UCITS Fund
Domicile	Ireland
Liquidity	Daily
Fund AUM	€7.4MM
Inception	25 August 2022

Share Class	Institutional Class A
Currency	EUR/USD/CHF/GBP
Mgt. Fee	1.0%
Perf. Fee	15%
Min Init. Sub.	100,000

ISIN Codes	EUR: IE000LAGL3R0
	USD: IE000GP9EXT8
	CHF: IE0006M5EU49
	GBP: IE000D7X2DZ6

Share Class	Institutional Class A Pooled
Currency	EUR/USD/CHF/GBP
Mgt. Fee	1.0%
Perf. Fee	15%
Min Init. Sub.	100,000

ISIN Codes	EUR: IE0007M7GG41
	USD: IE000X2OYZD8
	CHF: IE000QRSBW82
	GBP: IE000IDLN0K4

### Management Team

#### David Nazar - CIO

David Nazar has worked in credit markets for the past 25 years and is one of the most experienced investors in European credit. Prior to founding Ironshield Capital Management in 2007, David managed proprietary credit portfolios for Deutsche Bank and Bank of America.

#### Florian Chapel – Portfolio Manager

Florian Chapel has been managing long/short portfolios since 2015 and has a long track record in corporate credit and credit derivatives. He previously was a portfolio manager at Pamplona Capital and Palm Lane Capital, before which he was one of the first employees at Chenavari.

### MontLake Ironshield High Yield Alpha Fund Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2022								-0.10%	-0.48%				-0.58%

The performance figures quoted above represent the performance of the MontLake Ironshield High Yield Alpha Fund, EUR Inst. Class A since launch on 25 August 2022. These performance figures refer to the past and past performance is not a reliable guide to future performance.

↓ 0.48%\*

# Ironshield High Yield Alpha Fund

## Long/Short Credit

September 2022

### Performance Overview

Annualised Return	*
Annualised Volatility	*
Sharpe Ratio	*
Maximum Drawdown	*
Months to Recover	*

### Portfolio Characteristics

Number of Holdings	15
Number of Issuers	13
Modified Duration	1.13
Macaulay Duration	3.54

\* Not meaningful as a result of limited data set given recent launch of the fund

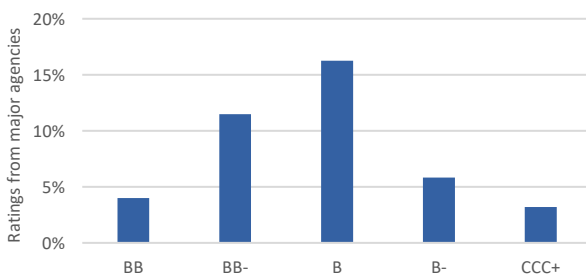
### Country Exposure (% NAV)

	Short	Long	Net	Gross
Germany		7.2%	7.2%	7.2%
Italy		6.9%	6.9%	6.9%
France		6.0%	6.0%	6.0%
United Kingdom		4.3%	4.3%	4.3%
Greece		4.0%	4.0%	4.0%
Bermuda		3.5%	3.5%	3.5%
Luxembourg		3.2%	3.2%	3.2%
Netherlands		3.1%	3.1%	3.1%
United States		2.6%	2.6%	2.6%
Europe	31.2%		-31.2%	31.2%
<b>Grand Total</b>	<b>-31.2%</b>	<b>40.8%</b>	<b>9.6%</b>	<b>72.0%</b>

### Sector Exposure (% NAV)

	Short	Long	Net	Gross
Retail		10.8%	10.8%	10.8%
Auto Parts		4.2%	4.2%	4.2%
Transportation		4.0%	4.0%	4.0%
Commercial Services		3.6%	3.6%	3.6%
Oil & Gas		3.5%	3.5%	3.5%
Telecommunications		3.2%	3.2%	3.2%
Construction		3.1%	3.1%	3.1%
Pharmaceuticals		2.9%	2.9%	2.9%
Real Estate		2.7%	2.7%	2.7%
Packaging		2.6%	2.6%	2.6%
Credit Default Swap - Index	31.2%		-31.2%	31.2%
<b>Grand Total</b>	<b>-31.2%</b>	<b>40.8%</b>	<b>9.6%</b>	<b>72.0%</b>

### Ratings Exposure (% NAV)



### Top Five Positions (% NAV)

Co-Operative Group	4.31%
Schaeffler Verwaltung	4.22%
Danaos Corp	4.01%
Manutencoop	3.63%
Valaris Ltd	3.50%

### Contact Details

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