

European Credit: Volatile, Under-Researched and Mispriced Market

PARETURN GLADWYNE ABSOLUTE CREDIT



ALT CREDIT INTELLIGENCE

European Performance
Awards 2016

Winner

ALT CREDIT INTELLIGENCE

European Performance
Awards 2017

Winner

the hedge fund journal

UCITS Hedge
Awards
2023

**Long/Short Corporate Credit
Best Performing Fund in 2022 and over 2 Years**
Pareturn – Gladwyne Absolute Credit
(Gladwyne Investments LLP)

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A Team with Over 55 Years Experience.



Overview

- **European Credit long/short** corporate credit manager with a catalyst driven approach, founded in 2009, by Barend Pennings
- **41%* performance** over three year period
- ~ **EUR 42 million** of assets under management, 36% increase YoY
- **Proven track record**, generating returns across multiple investment cycles
- **Nimble size** allowing the firm to take positions in structurally mispriced instruments
- **Network of deep relationships** across Europe, allowing the firm to efficiently source opportunities
- **Library of 600 credit write-ups** built since 2009

Strategy

- **Bottom-up** fundamental credit investors, focusing on European single name corporate issues
- **Vast opportunity set** and particular edge in European High Yield situations where the competitive field is reduced
- **Flexible mandate** to invest across geographic jurisdictions, industries, capital structures, and instruments
- **Catalyst driven approach** with a medium to long term investment horizon (6-24 months)
- **Portfolio of ~30 positions** with a limited net exposure (typically ~50% net)
- Returns weighted towards **capital gains**, rather than carry

Team

- **Barend Pennings**, former MD and European credit prop desk PM at Goldman Sachs, with 25 years of experience in credit analysis and investing
- **Jan Mroczkowski**, formerly at Centerbridge, Capstone and Goldman Sachs, with 16 years of investing experience and credit analysis, almost entirely on the buy-side. Joined Gladwyne in 2018
- **Benjamin Rampton**, formerly of JP Morgan, with 15 years of experience in Hedge Fund Operations & Prime Brokerage

Vast, Volatile, Under-researched and Mispriced Market.

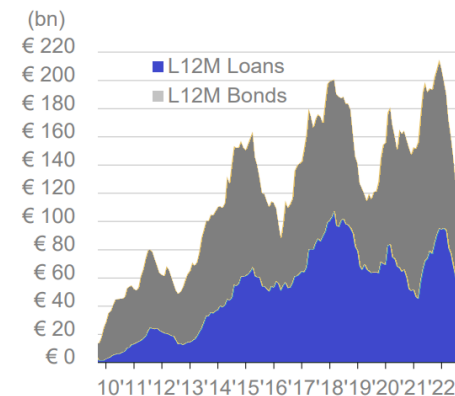
The European Credit Opportunity:

Market Characteristics:

- Unprecedented growth of HY bonds replacing loans, with significant amount of bond issues below €250m
- Post-Covid, Central Bank intervention is reaching unprecedented level favoring large bond issuers
- Broker-dealers forced to reduce absorption capacity
- 50% of the HY bond market growth fueled by funds offering daily liquidity to investors

Market Implications:

- Volatile ecosystem (exaggerated risk-on/risk-off attitudes) creating extreme entry/exit points
- Sell-side research budgets reduced / situations are too small to make coverage profitable for research providers
- Gap risk: Small issue sizes and limited liquidity lead to more severe bond price moves on bad news
- Zombification: State intervention diminishes price discovery and gives a false sense of security
- Passive investing community driven to follow fund flows; “buy the market” without regard for fundamentals



Gladwyne Exploits the Void.



- Smaller issues can produce outsized returns in a way they cannot for larger alternative credit managers
- Size and liquidity constraints reduce sourcing and research competition in this segment of the market
- Zombification creates a universe of cheap short opportunities for companies with underlying insolvency issues
- Large alternative credit managers usually do not short due to inefficiencies or different mandates
- Gladwyne can obtain borrow and still short in sizes that contribute meaningfully to fund performance

Bottom-up Analysis with Over 40 Years Investment Experience.



SOURCING

Draw from diverse research practices ranging from screens, reading periodicals, consulting with peers on the buy-side and sell-side. Determine the opportunities worth spending time on.

PRELIMINARY ANALYSIS

Examine whether the opportunity fits the parameters of an attractive investment. Assess the potential downside and upside of the opportunity. Determine the key driving factors and investigate the idiosyncratic nature of the opportunity (capital structure, financials, business model, legal).

DEVELOP SCENARIO ANALYSIS

Develop scenario analysis to start weighing potential outcomes of the situation

INVESTMENT COMMITTEE

Discuss at investment committee and invest, investigate further, or move on to something else.

MONITOR

Track progress to assess how closely the thesis plays out. Once the thesis plays out, reduce position but keep an open mind in case the situation is still attractive or has been de-risked.

Disciplined risk management with added protections of UCITS limits.

PORTFOLIO LEVEL

- NAV limit: maximum acceptable net long exposure of 80% (typically averaging at 50%)
- Credit Spread Widening limit - includes:
 - credit spread risk - we assume a doubling of spreads
 - equity risk - we assume a 20% drop in value for liquid securities and a 30% drop in value for illiquid securities
 - The maximum acceptable loss in this instance is 15% of NAV (typically averaging at 10%)
- Liquidity: 90% of portfolio traded in liquid names

INDUSTRY LEVEL

- NAV limit: maximum exposure of 30% of NAV concentrated in any given industry
- Credit Spread Widening limit: maximum acceptable loss of 5% of NAV concentrated in any given industry

ASSET CLASS LEVEL

- Hard limit of 10% of NAV on the amount of “distressed” and “trash” exposure
- “Distressed” qualification applied to bonds with S&P rating below CCC
- “Trash” qualification applied to instruments unlisted or not dealt on an eligible market

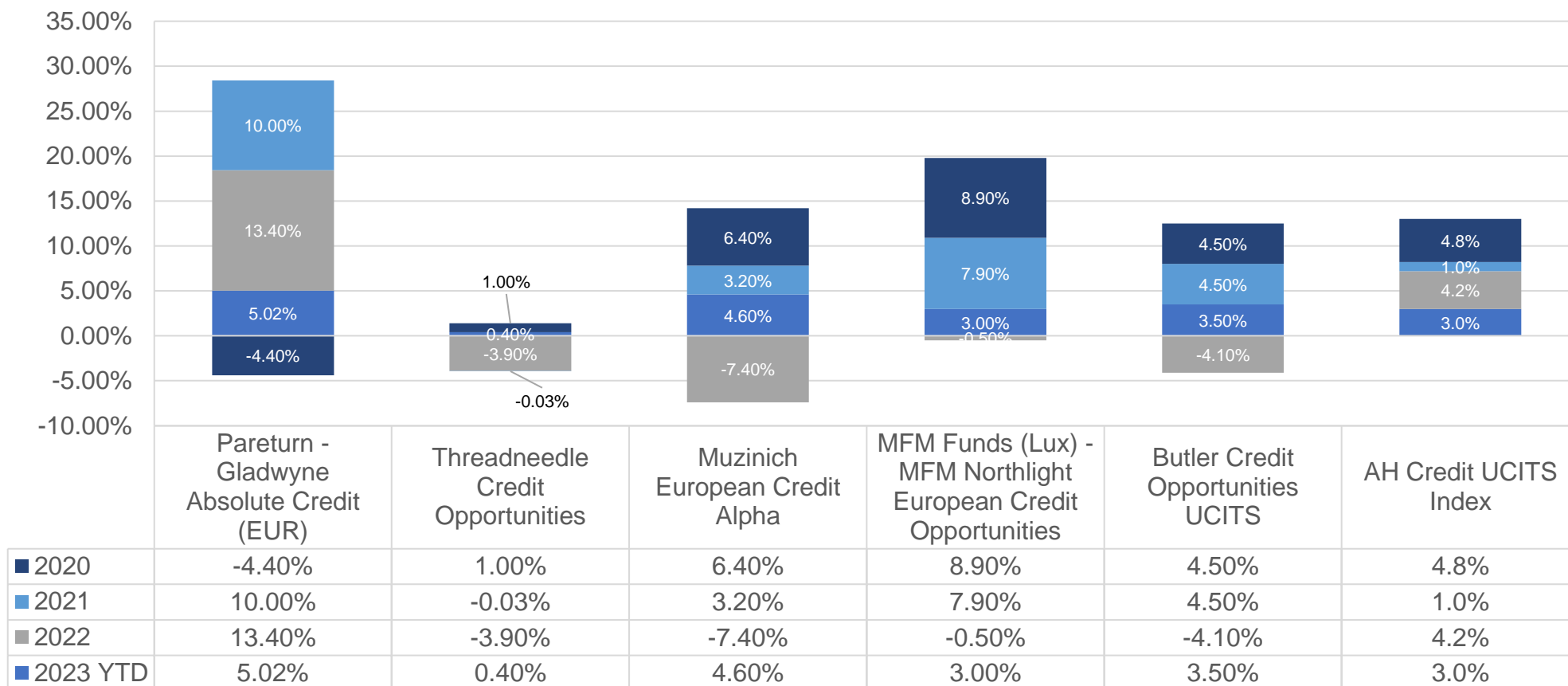
SINGLE NAME LEVEL

- No individual name can represent more than 10% of NAV (UCITS framework hard limit)
- The sum of all positions greater than 5% of NAV cannot exceed 40% of NAV (UCITS framework hard limit)
- No individual name can represent an expected loss of more than 2% of NAV

The Result: Gladwyne Ranks 1st Amongst Peer Group



PEER GROUP ANALYSIS – ANNUAL RETURNS 2020-2023 YTD



* As of 30th September, 2023

Source: Bloomberg, Kepler Absolute Hedge

Past performance is not indicative of future results. An investment entails a risk of loss. The above performance reflects the deduction of fees and expenses of the institutional share class, and the fees and expenses will vary by fund.

Important note: The funds included above are not a complete representation of the Kepler competitor universe of Credit Long Short UCITS and were selected by Gladwyne due to their similarity in fund manager objectives, strategy, as well as fund structure. This information is intended only as an illustration and is not an offer to sell, nor a solicitation of offers to buy, investment fund interests or any other security.

Returns are driven by Capital Gains, rather than Carry.



- The below table breaks out the positive & negative performance Vs the positive and negative carry:

Performance Vs Carry



Year	2020	2021	2022	2023 YTD
Turnover:	127%	36%	35%	24%
% Carry	9%	12%	10%	13%
AUM (EUR)	30m	32m	30m	42m

*Euro Institutional Class: Source – BNP Paribas NAV Reports. Based on Fiscal Year ending Sept 30th

Executive Summary, Citywire Ranking & Awards



- Over 55 years of experience within the team
- Gladwyne has an edge in European High Yield situations where the competitive field is reduced
- Bottom up investment process with proven track record
- Gladwyne is outperforming its peers and delivering solid returns for its investors
- Investors have direct access to the Portfolio Management team
- If you have any questions please don't hesitate to reach out

Current Ranking:

- [Citywire \(Link\)](#) - Ranked 1st out of 71 Managers

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Hedge Fund Journals Award: ‘Best Performing Fund in 2022 over 2 Years’



Pareturn Gladwyne Absolute Credit UCITS: Single Name Alpha from Liquid Credit

Event catalysts and opportunistic liquidity provision

HAMLIN LOVELL



Above: Barend Pennings, Founder and CIO, Gladwyne Investments

Pareturn Gladwyne Absolute Credit UCITS Fund has received *The Hedge Fund Journal's* UCITS Hedge award for best performing fund in 2022 and over 2 years ending in December 2022, in the Long/Short Corporate Credit category. Performance of 13.41% in 2022 and 10.02% in 2021 (in EUR) were also the best two years in absolute terms since the UCITS was launched in 2015. (Since the firm launched in 2009, its Cayman fund had one better year, up over 20% in 2013.)

"We are not trying to hike out 3 or 4%," says founder and CIO, Barend Pennings, who has a substantial personal investment in the strategies. In the era of very low, zero and negative interest rates, he calculates that roughly 90% of returns came from bond price moves for longs and shorts. More recently

and going forward, coupon income could contribute a higher proportion of returns for the long book and the fund. Net long exposure ranges from 25% to 80% and in March 2023 was towards the higher end of the range because income from carefully selected names is attractive.

Single name alpha

"All trades are single names and are idiosyncratic, standalone profit centres; there are no pairs trades, indices, macro hedges or overlays," says Pennings.

Many credit names traded have a low level of sell side coverage and are misunderstood. Some may not have any coverage from big brokerage houses or credit ratings agencies. Gladwyne has populated this void by building up its own library of several hundred credit research reports. "Unrated bonds can be the most interesting and my vocation is to

find mispriced risk in the crevices of the market," says Pennings. These sometimes neglected issues are nonetheless easily priced: the book is marked to market on a daily basis. Most names are European companies but there can also be other issues listed in Europe. "One example was the busted convertible bond of South African platinum group metals and gold miner Sibanye Stillwater, which was a material contributor," Pennings points out.

Contrarian energy plays

High yield has been steadily displacing loans as a source of credit funding for European issuers, and that enlarges the short universe. "Loans can be amended and extended but this is more difficult for bonds, which will need a hard restructuring. Based on a multi-decade lookback, 20% of single B bonds default over a five-year period," Pennings reflects.

Pennings likes to short cash bonds rather than derivatives as they provide more volatility and avoid

safety, we averaged down. Our largest detractor in 2020, Seadrill bonds, later earned us multiples – we tripled our money from a purchase price of \$2," says Pennings.

Even after the sector started to broadly recover, yields stayed high and deep value lurked in certain issues. Seadrill's new secured notes lagged the rest of the sector in 2021, and plagued Pennings' interest due to a special anomaly. "Post a prepackaged bankruptcy, unpaid accrued interest would be added to the notional claim upon emergence from bankruptcy. A major market inefficiency is that the cash bonds failed to discount this and we earned an extra 16% from a flat cash price, and also received 6% of the new equity business for free," says Pennings.

ESG policies, cyclical and tax risk can all help to explain why energy credits yield more. "A UK North Sea operator, EnQuest, recently paid 12% on new bonds with leverage below 1 turn of EBITDA," says Pennings.

Energy service providers, such as Seadrill, are a larger part of the book than producers partly for regulatory reasons: "they are likely to be insulated from windfall taxes applying to producers," he explains.

Ukraine related panics and new issues

Another shrewd trade in 2022 was Ukraine-related "babies thrown out with bathwater". "We saw a meltdown in names that had any exposure to Ukraine, even when they had other assets that fully covered the value of the debt. We bought April 2023 bonds of Dutch mobile holding company Veon, at 66, earned a 7.25% coupon, and they just tendered at 102," says Pennings.

A screen of issuance was also helpful. "We homed in on recently syndicated new issues in both 2022 and March 2020 as being vulnerable because investors who typically aim for a short-term profit by flipping them were unable to," says Pennings.

Short alpha

High yield has been steadily displacing loans as a source of credit funding for European issuers, and that enlarges the short universe. "Loans can be amended and extended but this is more difficult for bonds, which will need a hard restructuring. Based on a multi-decade lookback, 20% of single B bonds default over a five-year period," Pennings reflects.

Pennings likes to short cash bonds rather than derivatives as they provide more volatility and avoid

CDS basis risk. "Shorting bonds at or near par is very asymmetric because the worst loss scenario is likely to be par or being called at the call price. We look to short bonds that would need to hit 30 green lights in a row to avoid problems – and will reprice if just one light turns amber." The Pareturn platform provides total return swaps for shorting cash bonds in a UCITS.

Gladwyne has profited from shorts but there has often been huge latent potential in these trades, which would sometimes have made far more had they been held for longer. Pennings explains: "In 2011 we were short the bonds of a phone company in Ireland, when the cost of borrow went from 1% to 14%. We exited the short for a low teens gain. A month later I could have closed it out for a 90% gain. We covered a facilities services short at 90 upon a private equity offer but the bonds soon fell to 50 after it emerged that the PE firm would only invest in one segment. Similarly, we shorted Abengoa for years, closed it at par and six months later it was bust. And I exited a short in a German wind turbine maker at 88 before it dropped to single digits. The biggest challenge is having the patience for the short to finally collapse and sometimes this has been achieved. We are still short worthless shares of Thomas Cook because it would cost money to close them out."

Hard catalysts

Longs and shorts are mainly inspired by hard catalysts. Typical "hard catalysts" in credit include refinancing, liquidity, covenants, asset disposals, restructurings, and capital structure changes.

Timeframes and average holding periods are typically 6-24 months, though some high conviction value positions can stretch to three, four or five years. The generally short dated nature of catalysts means that interest rate duration and sensitivity of the portfolio is usually minimal. Timelines are important: "Delays to refinancing are a red flag and reveal a restructuring risk since outstanding bonds close to maturity can lead to a qualified audit opinion," says Pennings.

Bottom-up work maps out upside and downside under different scenarios to arrive at a probabilistic blended expected value. A bond trading at 50 is binary market pricing, but Gladwyne's analysis, based on deep experience, could take a different view on the probabilities. "We have often made great money in these situations, talking to management, broker dealers, advisers, and the press to do analysis of legal, financials, peers, the board, weave it all together and work out where it pans

"Unrated bonds can be the most interesting and my vocation is to find mispriced risk in the crevices of the market."

— BAREND PENNING

out. We bought bonds of a metals recycler at 75% of par, got comfort from the board on repayment, and they were retired at par," says Pennings.

A full capital structure perspective

Gladwyne can invest across the capital structure and views equity as a hybrid version of credit. Most equity owned is received through debt for equity swaps or issued for liquidity reasons. There are also some busted convertibles in the book, which fall between two stools. "Traditional convertible bond investors are not interested and nor are plain vanilla fixed income investors," says Pennings.

A full vista of the capital structure also generates ideas. Disconnects between equity and credit can throw up lucrative signals. "When the cost of borrow on a stock is elevated but bonds are at par, one price must be wrong. We shorted SolarWorld bonds at 101 when the cost of equity borrow was 36%. Similarly, Carillon was the most popular equity market short before it imploded and bonds went from 90 to zero," explains Pennings. Conversely Yuloo Oil bonds traded at 60 cents when its market capitalisation was nearly \$2 billion.

Pennings has occasionally made events happen through activism. "Second lien bonds in Spanish bus company Avanza were acquired at 75, and later the notes were tendered for 95, before a final price of 102 was obtained." Pennings helped to orchestrate this.

Litigation and arbitration are monitored. "Currently, there is a position in a somewhat binary arbitration event, where we see a ratio of five times upside to one downside on Northern Drilling."

Liquidity provision

True alpha is the broad-and-better strategy, though liquidity provision for dislocated slices is another return driver that can take advantage of abrupt re-pricings caused by investors liquidating daily dealing ETFs and mutual funds, which own a significant part of high yield bonds. This throws up regular and repeatable trading opportunities. "We bought bonds in a Spanish gaming company, twice at 85 cents, and sold them twice at 97 cents. This was not alpha but rather liquidity provision," explains Pennings.

Financials

In addition to corporate debt, Gladwyne trades instruments issued by banks such as contingent convertibles. The March 2022 sell-off related to Credit Suisse and several US banks did not surprise Pennings, who has seen similar moves before: "Deutsche Bank A1s dropped 35 points after the firm was threatened with a behavioural fine. This led us to buy tier 2 bonds in Lloyds Bank and a German

real estate lender. Similarly, the Credit Suisse panic has pulled down peers in sympathy and we find deep value in that collateral damage".

Pennings has three decades of credit market experience, including proprietary trading as an MD at Goldman Sachs, and Gladwyne as a firm he led through several bull and bear markets in credit. Gladwyne, which means good friend in Welsh, is named after a town in Pennsylvania where Pennings lived in his high school years and was married in 1998. "The name signals that everyone is important to culture and wellbeing, and is deliberately not a homage to me as founded," he humbly says. Pennings works with Jan Mroczkowski, who has 15 years of mostly buy side industry experience, primarily fundamental credit at Centerbridge, Capstone and Goldman Sachs. He has been with Gladwyne for nearly five years.

Gladwyne was initially seeded in a Cayman fund in October 2020 by a foundation linked to a prominent UK investor and philanthropist. In 2015 the UCITS was co-seeded by Pennings and a German wealth manager migrating its business to UCITS. There is a high degree of overlap between the two funds, though the UCITS does not invest into less liquid areas such as trade claims, liquidators, private credit, or loans.

Distribution

Assets have been raised mainly through word of mouth and the UCITS is the priority for asset raising. The UCITS investors are mainly high net worth individuals investing via wealth management platforms, though there are also some retail investors. The UCITS is currently approved for distribution in Belgium, Finland, France, Germany, Italy, Spain, UK and Luxembourg, and assets have also been raised in Switzerland. The UCITS should soon migrate to making disclosures under SFDR category 8 and has never invested in weapons or tobacco anyway.

"Managed accounts are also operationally very easy to set up and we have run several," explains Pennings.

Outlook

Pennings is constructive on the opportunity set for deploying capital in both the long and short books. Loans are generating a worthwhile standstill return from yield alone even before catalysts kick into action. Meanwhile, although headline rates of outright default have been low so far, many bonds see heavy repricing upon refinancing and/or restructuring as they face the macroeconomic and market reality checks of higher inflation, rates and spreads – as well as company specific issues. IMF

"When the cost of borrow on a stock is elevated but bonds are at par, one price must be wrong."

— BAREND PENNING



Kepler Research – Outperforming Peers



Kepler | Absolute Hedge

Non-independent research.

See important disclaimers at the end of this note.

Fund Objective

The fund seek to generate double digit absolute returns from value-driven and event-driven credit investments in Europe.

Fund Manager
Barend Pennings

Geography
Europe

Strategy
Credit

Fund Size
€42m

Fund Inception
1st February 2015

Liquidity
Weekly

AMC
1.50%

Performance Fee
20%

SFDR Article
6

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Short-form report **25th September 2023**
Pareturn Gladwyne Absolute Credit

Summary

- Gladwyne is a European bottom-up long/short corporate credit manager with a catalyst driven approach, founded in 2009 by Barend Pennings.
- The strategy provides a unique strategy to the UCITS market by specializing in credit names that are often overlooked by other market participants.
- Despite a volatile return stream, long term performance has been strong, with the fund amongst the best performers in recent years.

Gladwyne deploys an opportunistic fundamental strategy with a focus on catalyst-driven European credit situations. The strategy specializes in credit names that often lack coverage from prominent brokerage houses and rating agencies, seeking to profit from mispriced risk in overlooked market segments, whilst investing across all parts of the capital structure. Long investments tend to be in (di)stressed/sub investment grade companies that are undergoing financial/operational difficulties and for which a catalyst can be identified (e.g. refinancing, restructuring, etc), with holding periods typically ranging between 0-24 months, though positions may be held longer based on conviction. At the portfolio level, the team do not have "top down" allocation targets by region or country while the strategy is sector agnostic. Investment themes change based on the prevailing macroeconomic environment and opportunities that arise in each of the industry sectors or geographic jurisdictions. The team target investments where they believe there is quantifiable downside, and this downside should not have a potential adverse effect on the fund's NAV of greater than 2%. They take a hard look at recovery values, either through a distressed sale valuation or the value of the underlying collateral and look for companies with defensible cashflows but whose financial instruments have encountered stress whose risks the team understand and can mitigate. The portfolio typically comprises approximately 90 credit names, even if at times that number may be lower, with some credits having multiple securities represented. The generally short-dated nature of catalysts means that the interest rate and duration sensitivity of the portfolio is usually minimal.

Performance Review

The strategy was launched in early 2015 and since then has annualized at 4.0% with an annualised volatility of 8.4%, leading to an overall Sharpe of 0.42 (0.5% RFR). The fund has notably outperformed its peers, with the AH Credit index annualising at a meagre 0.8% over the same period, and long long-only European bond holders, which annualised at -1.2%. As expected from a relatively concentrated, return-seeking strategy, performance has been lumpy at times, with rolling 12m returns ranging from -17.4% to 23.4%. The largest drawdown took place in March 2020 where the fund was long HY names which coincidentally, were most vulnerable to the economic shocks from the COVID-19 pandemic. Each name was individually re-underwritten and some added to, with several later turning a profit. In 2021 and 2022, energy was among the largest performance drivers, with several positions initiated in 2020. A core trade last year saw the team profit from bonds with a Ukraine connection which saw a sharp drop in value. While alpha generation via bond price moves long and short is the core PhL driver, liquidity provision for the market is another avenue the team look to profit from.

Fig 1: Fund Performance: Pareturn Gladwyne Absolute Credit (5 year)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019	-0.5	1.6	1.2	0.1	-1.4	-0.2	1.3	-1.7	0.9	1.7	-0.9	1.0	3.2
2020	-0.9	0.3	-17.4	4.1	-1.8	4.8	2.1	0.5	0.0	-1.1	5.4	1.6	-4.4
2021	0.1	4.2	3.0	0.7	-1.2	1.8	-0.5	-1.3	0.9	1.5	0.5	0.1	10.0
2022	2.7	1.8	4.4	0.6	1.6	-2.0	-0.6	2.1	-1.2	1.3	2.6	-0.5	13.4
2023	2.6	1.8	-0.7	-0.3	0.4	-1.1	2.4	1.7					6.8

Source: FE Analytics, Class I-B EUR (LU1307506922). Full track in appendix.

Pareturn Gladwyne Absolute Credit

Investment Process

Gladwyne's investment process capitalizes on the under-representation and misunderstanding of many European credits. The firm has developed a library of over 600 European credits, growing by approximately one per week. This proactive approach fills the gap left by big brokerage houses or rating agencies that often overlook these assets. The CIO and analyst meet weekly, or more frequently when needed, to review portfolio composition and exposure, during which fresh investment ideas are presented and debated. This proprietary library and regular analysis ensures that Gladwyne remains ahead in identifying and understanding lesser-known investment opportunities. Long investments tend to be in (di)stressed/sub investment grade companies that are undergoing financial or operational difficulties. On the other hand, they tend to short sub investment grade credits which they feel are priced for perfection. Those short positions are placed both for alpha generation as well as for protection in deteriorating credit markets. The team are fundamental credit investors where positions are supported by diligence and are expected to withstand the recessionary cycle. Over time, they expect to see a significant appreciation in the value of long positions even if in the short-term some positions may trade down due to overall market volatility and investors sentiment. The nature of the strategy should help deliver absolute returns due to the favourable asymmetry of the potential outcomes of individual positions. The short positions are marked around or above par whilst the long positions have positive catalysts to drive both interest income and capital appreciation. Despite having a net long exposure, the team has demonstrated over the years that they can generate a stream of non-correlated returns compared to long only risky assets.

Risk Management

Size and limits are determined by i) conviction, ii) creditworthiness of the transaction / estimated potential loss in an adverse scenario, iii) availability of the paper and iv) how much they already own in the same industry (sector limit). They opportunistically hedge interest rate, credit and equity risk where appropriate.

Fees and Management

The class has a 1.5% AMC with a 20% performance fee, pricing the fund at the higher end of the credit universe. The fund is managed by Barend Pennings, former MD and European credit prop desk PM at Goldman Sachs who is supported by Jan Mroczkowski. The fund currently runs €42m in assets.

Outlook and Recommendation

For investors with a healthy risk/return appetite, and for those that desire idiosyncratic credit exposure, the Pareturn Gladwyne Absolute Credit is one to consider. The team are optimistic on the outlook given that long positions expected returns are significant based on yield, even before any catalysts begin to influence them. While they've seen minimal outright defaults, many bonds undergo significant revaluation when refinanced or restructured, which continue to provide a fruitful trading environment for the fund. Given a large portion of the track has gone through a low/negative rate environment, returns have been driven by price moves for long and short, though more recently, given current rates, coupon income has the potential to supplement returns.

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Fig 2: Track Record (strategy inception)

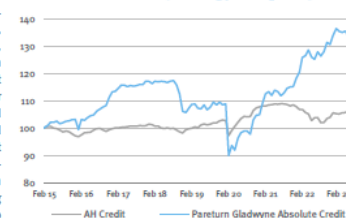


Fig 3: Risk Return (5Y)

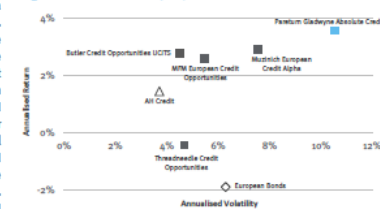
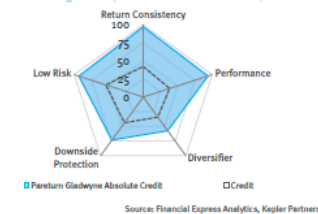


Fig 4: Spider Diagram (36M, as of Q2 2023)



Source: Financial Express Analytics, Kepler Partners



ProBoutiquenFonds – Interview



pb
Pro BoutiquenFonds

Boutiquen Fonds News Fonds-USPs Neu

Gladwyne Investments LLP

10.10.2023

FEHLBEWERTETE UNTERNEHMENSANLEIHEN MIT TRIGGER



Barend Pennings
Gründungs-Gesellschafter und CIO
Gladwyne Investments LLP

Herr Pennings, Sie sind in der Branche kein unbeschriebenes Blatt, aber Gladwyne ist bisher in Deutschland noch nicht so bekannt, wie es angesichts der guten Fondsp performance eigentlich sein sollte. Wann haben Sie die Gesellschaft gegründet und aus welchem Grund?

Ich habe 8 Jahre lang bei Goldman Sachs gearbeitet, bevor ich 2009 Gladwyne Investments gegründet habe. Zu diesem Zeitpunkt konnte ich sehen, dass Banken ihre Investitionsbemühungen reduzieren und unabhängige Investmentfirmen davon profitieren würden. Außerdem waren die europäischen Finanzmärkte schon immer volatil als das, was wir in New York sehen. So kam ich auf die Idee, mit einem kleinen, starken Team eine nachhaltige Investmentstrategie zu etablieren, die sich auf europäische Unternehmensschuldner konzentriert.

Erklären Sie uns bitte kurz das grundlegende Konzept Ihres Fonds?

Wir setzen auf Unternehmensanleihen in den Nischen des europäischen Marktes, die deutliche Fehlbewertungen aufweisen. Die Long-Investitionen finden sich meist in Emissionen von Unternehmen, die finanzielle oder operationelle Schwierigkeiten durchlaufen und für die ein Trigger für eine Verbesserung identifiziert werden kann. Wir stützen uns bei der Selektion auf die langjährige Erfahrung des Teams, ein großes Netzwerk und detailliertes Research. Die zum Teil sehr geringe Analysten-Coverage kleinerer Emissionen bietet uns in nahezu jeder Marktphase außerordentliche Chancen.

Wie gehen Sie beim Investmentprozess vor?

Die Grundlage unserer Investitionen sind in der Regel aktuelle auffällige Marktbewertungen, die wir anhand unserer eigenen Datenbank identifizieren und nutzen können, die mittlerweile über 600 Emittenten umfasst. Wo Anleihen unfair abgestraft werden und wir einen Grund für eine kurz- bis mittelfristige Preiserholung sehen, greifen wir ein. Unser Portfolio ist fokussiert; wir nehmen nur Wertpapiere in den Fonds auf, von denen wir sehr überzeugt sind, und gewichten sie dann so, dass sich ein Anstieg des Fondspreises bemerkbar macht. Derzeit haben wir 30 Long- und 6 Shortpositionen im Portfolio. Longpositionen werden in der Regel deutlich unter par gekauft, während Shortpositionen nahe par liegen.

Anleihen von Unternehmen in Schwierigkeiten – das birgt sicherlich große Chancen, erinnert aber auch sofort an das Börsensprichwort 'Never catch a falling knife'. Wie vermeiden Sie dieses Risiko?

Im Kern stellt sich jeder Investor in Unternehmensanleihen zwei Fragen: Bekomme ich mein Geld zurück, ja oder nein? Und wenn nein, reicht mir meine Absicherung im Endeffekt? In Bezug auf Ihren Kommentar zu fallenden Messern lautet die entscheidende Frage, ob der Verlust im Falle eines ungünstigen Ergebnisses tolerierbar ist. Jeder, der sagt, dass er kein Geld verliert, sagt nicht die Wahrheit. Die Frage ist, ob Sie die Ergebnisse öfter richtig einschätzen und ob negative Ergebnisse erträglich sind. Wir haben viele Jahre Erfahrung und können daher das mögliche Aufwärts- und Abwärtspotenzial bewerten. Credit basiert auf Arithmetik, und wir können die erwarteten Renditen berechnen.

Wie unterscheidet sich Ihr Fonds von 'Großen' am Markt?

Durch unsere geringe Größe (der Fonds hat ein Volumen von 43 Millionen Euro) haben wir eine breite Palette von Investitionsmöglichkeiten, die die großen Player entweder nicht wahrnehmen wollen oder aufgrund ihrer Größe nicht wahrnehmen können. Hier gibt es oft attraktive Chancen, von denen wir mit unseren kurzen Entscheidungswegen schnell profitieren können. So profitieren wir doppelt davon, kein großer 'Tanker' zu sein, da wir an größeren, liquideren Kapitalstrukturen teilnehmen können, ohne aber die Opportunitäten bei kleineren Emissionen zu übersehen.

In welchen Marktphasen bringt Ihre Strategie die größten Vorteile?

Wir haben in den vergangenen schwierigen Anleihenjahren seit dem Ende des langen Zinssenkungszyklus gezeigt, dass wir in jeder Marktphase gute Ergebnisse erzielen können; unser Fonds-konzept setzt nicht nur auf Chancen in Bullen- oder Bärenmärkten. Üblicherweise sind für den Fonds Kursgewinne der selektierten Anleihen deutlich entscheidender als die Zinseinnahmen aus deren Coupons. Generell hat das Portfolio einen Long-Bias, aber wir steuern die Long-Rate sehr flexibel je nach Marktverhältnissen.

Ein kleiner Einblick in die aktuelle Fondsstrategie?

Wir kalkulieren eine Rendite, nach Kosten, von mehr als 10%. Wir übernehmen kein Währungsrisiko – das wird alles in Euro abgesichert, und nur wenig Zinsrisiko, weil die erwartete Zeitspanne der Trigger weniger als 2 Jahre beträgt. Unser Fokus liegt auf der Beurteilung von Kredit- und Bewertungsrisiken. Natürlich sollten die Renditen heute höher sein, verglichen mit 2009 bis 2021, denn das Kreditrisiko wird als Aufschlag auf die Leitzinsen gemessen, die von Zentralbanken festgelegt werden, und diese sind jetzt deutlich höher.

Sind Sie und Ihre Kollegen auch selbst im Fonds investiert?

Ja, wir besitzen persönlich einen Zehntel des Fonds, also handelt es sich hierbei auch um unser Kapital, und wir sind sehr motiviert, seinen Wert zu steigern.

Für welche Investoren bietet Ihr Fonds eine Lösung – bzw. gegebenenfalls welche Anleger hätten Sie gar nicht so gerne?

Wir begrüßen Anleger, die verstehen, dass wir von Zeit zu Zeit auf Volatilität stoßen werden, aber jede volatile Episode eine Gelegenheit ist, von falsch bewertetem Risiko zu profitieren. Wir möchten nicht, dass die Leute uns als Bargeldersatz verwenden, sondern als Mittel, um das Wachstum ihres Kapitals über längere Zeiträume zu vervielfachen. Seitdem wir eine unabhängige Firma sind, haben wir die globale Finanzkrise, die Eurozonenkrisis, den Taper Tantrum, den Preiskampf im Ölmarkt, die Brexit-Abstimmung, den Zinsanstieg Ende 2018 und jetzt Covid und den Konflikt in der Ukraine erlebt. Volatile Vermögenspreise sind die Norm.

Finden Sie aktuell viele gute Investmentmöglichkeiten?

Ja, heute haben wir ein reichhaltiges Umfeld mit interessanten Chancen, die durch Trends im Bereich ESG, den Brexit, den Krieg in der Ukraine und ein sich schnell veränderndes Zinsumfeld angetrieben werden. Wir bewerten nicht einen monolithischen Anleihenmarkt, sondern es gibt viele verschiedene Bereiche des Kreditrisikos. Wir können interessante Renditen bieten, wenn wir verstehen können, warum die Anleihepreise von den historischen Normen abweichen.

Wie halten Sie Anleger informiert?

Wir informieren unsere Anleger mit einem monatlichen Factsheet und über Social-Media-Kanäle. Zusätzlich sind wir als Fondsberater persönlich erreichbar und freuen uns über Gespräche mit unseren Investoren.

Vielen Dank Herr Pennings.

Fund Terms



Domicile	Luxembourg
Minimum Subscription	Institutional: 1m (EUR, GBP, USD, CHF), Retail: 1,000 (EUR / USD)
Structure	UCITS
Fiscal Year	30 September
Management Fee	1.5% OR 1% upon agreement
Allocation of Profits	20%
Lock-up	None
Redemption Frequency	Weekly with a 5 day notice period
Auditor	Deloitte
Legal Counsel (Offshore)	BNP Paribas Securities Services
Prime Broker	BNP Paribas Securities Services
Fund Administrator	BNP Paribas Securities Services

Share class ISIN	Type	Share class	Share class ccy
LU1107506922	Institutional	I Capitalisation	EUR
LU1897127749	Institutional	A CHF Capitalisation	CHF
LU1567161119	Institutional	G-B GBP Capitalisation	GBP
LU1668051557	Institutional	U USD Hedged Capitalisation	USD
LU1668051045	Retail	R1 USD Hedged Capitalisation	USD
LU1107506500	Retail	P Capitalisation	EUR

Gladwyne Investments LLP, Aldwych House, 71-91 Aldwych, London WC2B 4HN

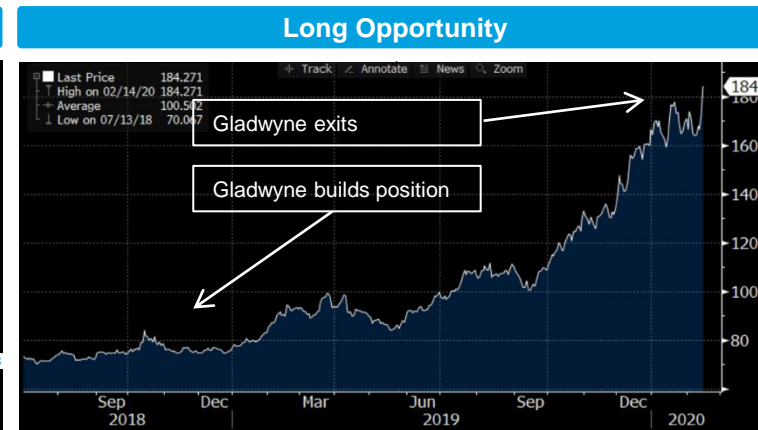
Brampton@gladwyneinvestments.com 07484 100 722

All terms and conditions contained herein are subject to and will be superseded by the final documentation.

Appendix 1: Case Studies

Thomas Cook

Following deep research of the new bond issue, we concluded that, at a 3% yield, the market was mispricing the company's structurally weak position, high WC risk and over-reliance on the UK

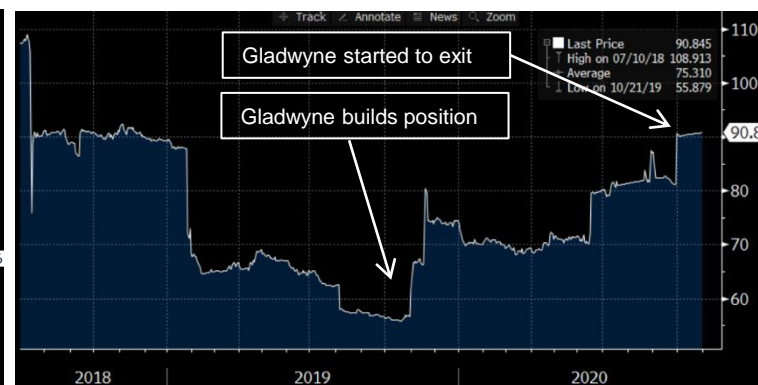
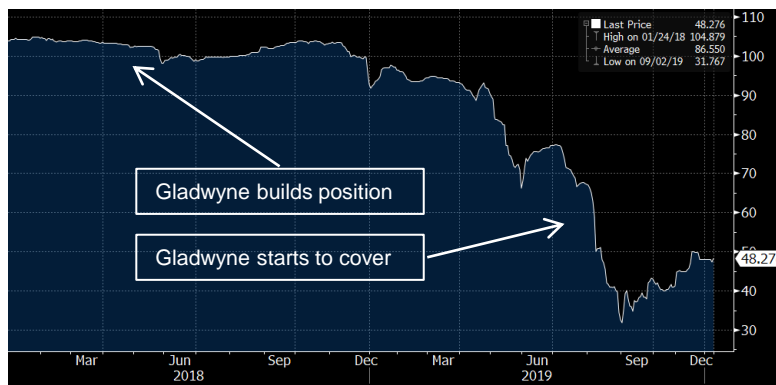


Sibanye (mining)

Contrarian opportunity due to perceived platinum oversupply, overly optimistic outlook on EV adoption, and poor labour relations and governance in South Africa

Lecta (paper producer)

Our deep sector knowledge allowed us to act early on the deterioration of demand for coated paper, which ultimately led to the restructuring of the over-levered balance sheet

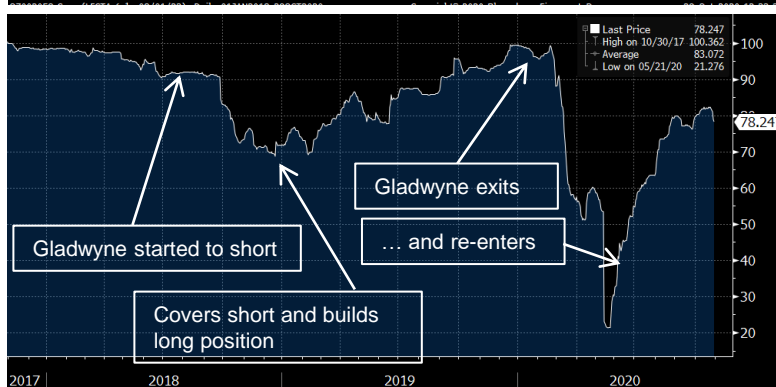


Greenyard (food supply)

Small-issue convertible with a turnaround story. Our fundamental analysis convinced us that the setbacks (severe drought in Europe, a listeria outbreak, and competition) were mostly of a non-recurring nature.

Takko (fashion retailer)

Our access to detailed local data enabled us to anticipate significant up- and downward moves



Monte dei Paschi

10.5% T2 instrument had not recovered in-line with peers due to concerns about a possible bail-in. Event-driven bet on the sale of a large portion of the bank's NPLs following ECB's more flexible loss provisioning guidelines.

Appendix 2: Paretun Gladwyne UCITS Fund Performance – EUR / GBP



the hedge fund journal

UCITS Hedge Awards 2023

WINNER

ALT CREDIT INTELLIGENCE
European Performance Awards 2016
Winner

ALT CREDIT INTELLIGENCE
European Performance Awards 2017
Winner

UCITS fund net performance history (EUR – Institutional: LU1107506922 /Retail: LU1107506500)

EUR - INSTITUTIONAL		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Net Performance	2023	2.57%	1.81%	(0.72%)	(0.30%)	0.36%	(1.08%)	2.35%	1.67%	(0.18%)				6.58%
	2022	2.71%	1.84%	4.43%	0.56%	1.63%	(1.98%)	(0.64%)	2.13%	(1.19%)	1.27%	2.64%	(0.54%)	13.42%
	2021	0.13%	4.18%	3.00%	0.74%	(1.23%)	1.75%	(0.50%)	(1.33%)	0.89%	1.50%	0.47%	0.12%	10.02%
	2020	(0.94%)	0.31%	(17.41%)	4.13%	(1.83%)	4.84%	2.09%	0.54%	(0.00%)	(1.12%)	5.39%	1.64%	(4.40%)
	2019	(0.45%)	1.60%	1.24%	0.10%	(1.42%)	(0.19%)	1.33%	(1.65%)	1.23%	1.39%	(0.93%)	0.97%	3.19%
	2018	(0.09%)	(0.66%)	0.70%	(0.16%)	0.14%	(0.06%)	(0.32%)	0.43%	0.45%	(1.60%)	(2.97%)	(5.56%)	(9.44%)
	2017	1.94%	0.20%	0.87%	1.11%	0.02%	(0.49%)	0.35%	(0.23%)	0.44%	0.13%	(0.08%)	1.12%	5.49%

UCITS fund net performance history (GBP – Institutional: LU1567161119 / Retail: LU1567161036)

GBP - INSTITUTIONAL		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Net Performance	2023	2.68%	1.89%	(0.56%)	(0.21%)	0.41%	(1.04%)	2.44%	1.81%	(0.03%)				7.56%
	2022	2.35%	1.89%	4.57%	0.61%	1.75%	(1.79%)	(0.54%)	2.32%	(1.15%)	1.46%	2.78%	(0.42%)	14.51%
	2021	0.17%	4.19%	3.07%	0.81%	(1.18%)	1.80%	(0.45%)	(1.29%)	0.96%	1.53%	0.52%	0.13%	10.61%
	2020	(0.82%)	0.37%	(18.10%)	4.22%	(1.78%)	4.91%	2.14%	0.59%	0.07%	(1.09%)	5.42%	1.71%	(4.52%)
	2019	(0.27%)	1.68%	1.34%	0.20%	(1.29%)	(0.09%)	1.45%	(1.57%)	1.36%	1.53%	(0.84%)	1.07%	4.59%
	2018	(0.04%)	(0.61%)	0.78%	(0.08%)	0.22%	0.02%	(0.26%)	0.53%	0.52%	(1.50%)	(2.92%)	(5.48%)	(8.64%)
	2017					0.16%	(0.52%)	0.48%	(0.23%)	0.58%	0.14%	(0.06%)	1.22%	1.77%

Past performance is not indicative of future results. Please see additional performance disclaimer information starting on page 18 of this presentation.

Appendix 3: Kepler - Gladwyne UCITS L/S Credit Peer Group Analysis



Name ▲	MTD ▼	YTD ▼	2022 ▼	1W ▼	1M ▼	3M ▼	6M ▼	1Y ▼	2Y ▼	3Y ▼	ISIN ▲
▣ Pareturn Gladwyne Absolute Credit	6.6	13.4		-1.1	-0.2	3.9	2.8	10.2	23.4	40.9	LU1107506922
▣ MontLake Ironshield Credit Fund	3.6	-14.1		-0.3	0.9	2.1	5.0	-2.8	-11.1	31.9	IE00BJBY6V60
▣ MFM Funds (Lux) - MFM Northlight European Credit Opportunities	3.5	-0.5		0.4	1.9	1.8	2.9	4.9	3.1	20.3	LU1340030060
▣ Butler Credit Opportunities UCITS Fund	5.3	-4.1		-0.3	0.2	1.4	3.0	7.1	0.9	10.1	IE00BMVX1H59
▣ CIFIC Long/Short Credit Fund	2.7	0.7		0.1	0.3	1.1	1.8	3.3	3.6	9.4	IE00BK7ZST21
▣ Alma Platinum IV Selwood Market Neutral Credit	12.2	-7.3		-0.1	-0.2	1.5	4.7	35.3	4.6	7.8	LU1769346898
▣ Aperture Investors SICAV - Credit Opportunities Fund	2.3	-1.1		0.0	0.3	1.1	1.3	3.4	1.2	6.9	LU1958553072
▣ U Access (IRL) GCA Credit Long Short	2.9	-2.5		0.0	0.2	0.9	1.3	3.1	0.6	6.2	IE00BH47R594
▣ Muzinich European Credit Alpha	4.6	-7.4		-0.2	0.4	2.1	3.4	8.9	-3.0	4.8	IE00BF4K8391
▣ Cheyne Global Credit Fund	7.3	-4.8		0.1	0.9	2.0	4.7	12.7	2.2	4.4	IE00B76XH336
▣ Muzinich Long Short Credit Yield	3.1	-5.4		0.1	1.3	2.1	2.9	4.0	-2.2	3.3	IE00B85RQB47
▣ Candriam Long Short Credit	1.9	0.3		0.0	0.4	1.4	2.1	2.7	1.8	3.0	FR0010760694
▣ Cairn Mediobanca Strata UCITS Credit Fund	4.2	-7.2		-0.5	-0.1	2.0	3.8	10.9	-3.0	2.9	LU1808849126
▣ Candriam Bonds Credit Opportunities	3.2	-3.7		-0.2	-0.3	0.6	1.2	7.5	-0.6	1.3	LU0151325312
▣ Threadneedle (LUX) Credit Opportunities	0.4	-3.9		-0.2	0.7	1.4	2.1	1.0	-4.2	-2.3	LU1849560120
▣ Threadneedle (LUX) Global Investment Grade Credit Opportunities	-0.4	-4.1		0.4	0.3	1.3	1.6	-0.2	-5.4	-3.7	LU1746309928
▣ Axiom Long Short Credit	-4.3	-11.4				0.1	-0.4	-7.5	-15.6	-16.6	LU2177671059
▣ Concise Short Term High Yield UCITS Fund				0.3	0.6	2.7	4.4				IE00BD046N77
▣ Lazard Coherence Credit Alternative Fund	1.2	0.9				0.1	0.0	2.8			IE000PDQHD05
▣ Longchamp Solferino Credit Fund		0.0									FR0013442597
▣ Miralta Sequoia		0.0									ES0173368012
▣ Tabula Liquid Credit Income UCITS Fund	10.6			-0.3	-1.1	1.3	5.8				IE00BN92ZH94
▣ Variety CKC Credit Opportunity Fund	3.0	0.3		0.1	0.1	0.8	1.9	4.1			IE000L7H9JCO

• As of 30 September, 2023

Source: Bloomberg, Kepler Absolute Hedge

Past performance is not indicative of future results. An investment entails a risk of loss. The above performance reflects the deduction of fees and expenses of the institutional share class, and the fees and expenses will vary by fund.

Important note: The funds included above are not a complete representation of the Kepler competitor universe of Credit Long Short UCITS and were selected by Gladwyne due to their similarity in fund manager objectives, strategy, as well as fund structure. This information is intended only as an illustration and is not an offer to sell, nor a solicitation of offers to buy, investment fund interests or any other security.

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