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European Macro Liquid Credit

Discussion Materials

Alternative Connections: European Investment Strategies – 17 June 2026

STRICTLY CONFIDENTIAL

Contents

Credit Spreads – Why are they Interesting?

A Definition…

Autocorrelation

How much does current value predict future values…

How do Credit Spreads Behave?

Short Term (1d-3m):

Credit spread levels show **strong positive** autocorrelation

e.g. *high* spreads today => *high* spreads tomorrow

Intermediate Term (3-6m):

Credit spread levels have a **low** autocorrelation

i.e. little predictive power

Medium Term (12-36m):

Credit spread levels show **strong negative** autocorrelation

e.g. *high* spreads today => *low* spreads in 18m time

A reliably mean-reverting asset class, over a manageable timeframe…

…with instruments that have a fixed maturity!

IG Credit Spread History - US

The Investment Grade Puzzle

Naïve expectation:

Fluctuations in credit spreads should be fully explained by changes in the default rate.

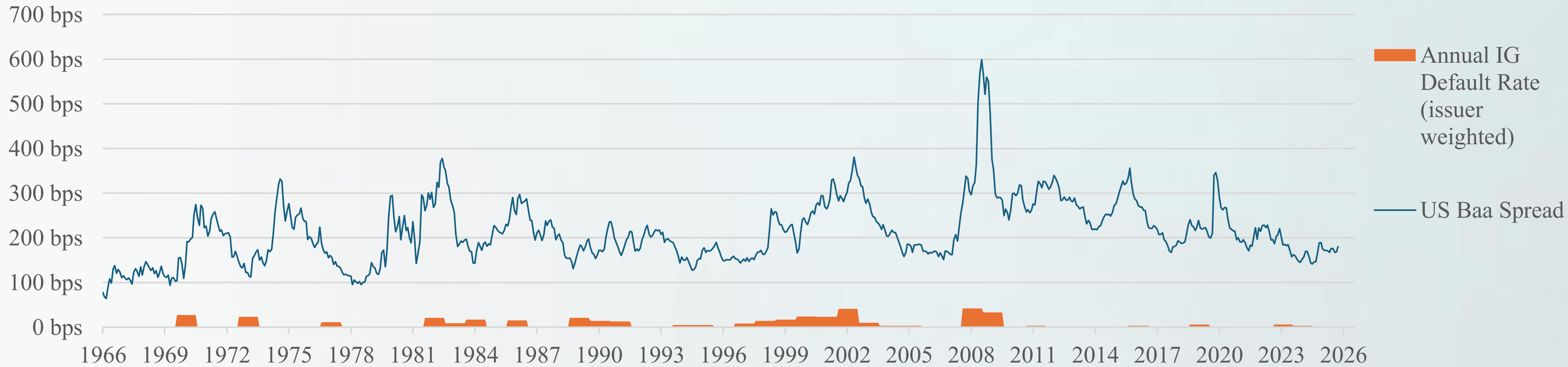
And therefore the economic opportunity of wide credit spreads is neutralised by default losses.

Not so in the Investment Grade sector!

A downgrade cycle rather than a default cycle…

- A tradeable asset class,
- With predictable pricing oscillations,
- That do not reflect its primary risk.

US IG Defaults vs IG Credit Spread History



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The Drivers

"Credit spreads fluctuate between euphoric complacency & overdone distress, spending little time at a sensible fair value"

Driver	Description	Effect
"Technicals" Supply / Demand Cycle	The dynamic between the supply of credit & the demand for credit exhibits herding across market participants. In times of distress, the credit provision window can slam firmly shut. And vice versa – when open, it's often open season!	Clustering behaviour in both directions is the mechanical force that moves spreads.
The Momentum Assumption	Many asset classes exhibit momentum over a medium timeframe. Credit is different – shorter duration, & more structurally mean-reverting.	The investor community gets credit wrong in both timing & arithmetic! Often chasing max long at tight spreads…
Volatility Risk	Credit is generally a 3-5yr asset, with very good returns rates offered when held to maturity. However, many investors are required to also care about the price in 3 months.	This accentuates price movements, especially in distress scenarios. Price down => investors sell => price down.

How to Capture the Opportunity

The Objective

We have an asset class whose price behaviour:

- Is reliably mean-reverting (+ instruments with fixed maturities);
- Is distinct from the realisation of its primary underlying risk (default);
- Has high kurtosis & negative skew.

What's the Goal?

Optimise wealth creation over a 5yr timeframe.

N.B. this is a different objective to optimising Sharpe ratio.

Key Features of an Optimal Strategy

"The Liquid Credit market is a device for transferring returns from the impatient to the patient"

Left Tail = Opportunity	Liquid Macro Credit spreads: high kurtosis + negative skew. Make tail events your opportunity, not your downfall!	Use the fatter left (& right) tail to your advantage. => entry (& exit) points.
Not on Margin = Resilience	Many common Liquid Macro Credit strategies optimise for Sharpe & apply leverage – works great... until you're liquidated. "leptokurtic blindness"	We use leverage embedded in fully-funded instruments. => equity tranches.
Patient & Simple	3-5yr timeframe: Small windows to be very active; vs A majority of time holding & waiting.	Probabilistic positioning triggers. => avoid Action Bias.

A Probabilistic Approach

“Opportunistic, Contrarian, Cyclical, Probabilistic”

Valuation

Current & Recent Path

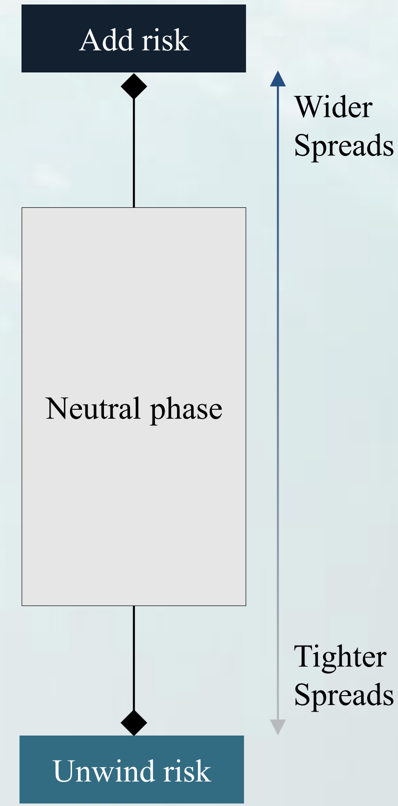
=> Position in the credit pricing cycle

Technicals / Positioning

Fundamentals

Macro Cycle

Dynamic “box & whisker” positioning triggers

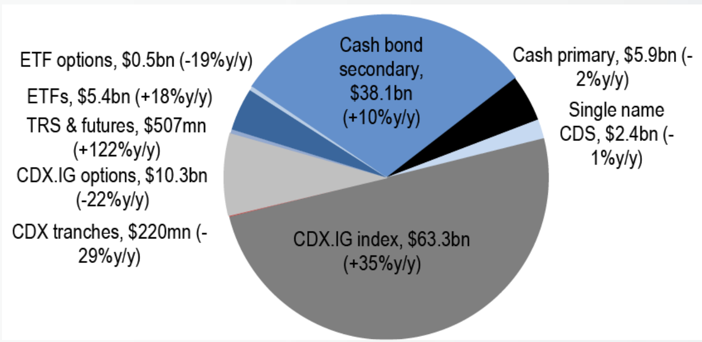


A Liquid Asset Class

Credit Universe

- Figure 1: $127bn/day traded in Investment Grade Credit products in 2025 with CDS Index counting for 50% of that total volume

Figure 1

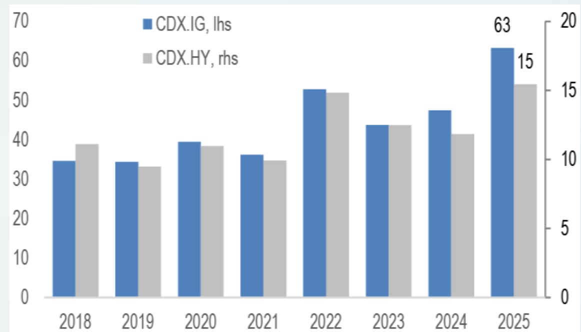


Source: J.P.Morgan, Bloomberg Finance L.P, DTCC, SDR, FINRA

Growth of CDS year on year

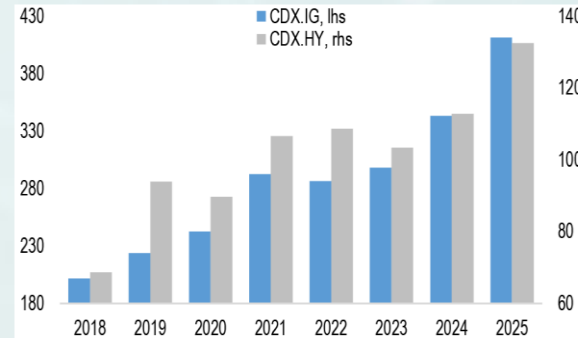
- Figure 2: Investment Grade and High Yield Index both surged to record levels of daily traded volumes
- Figure 3: And to multi year highs for net notional outstanding (sum of net longs or net shorts)

Figure 2



Source: J.P.Morgan, DTCC,

Figure 3



Source: J.P.Morgan, DTCC,

Liquidity trends in European credit derivatives

Indices +29%

CDS indices have consolidated their multi year high volumes. Portfolio, electronic and algorithmic trading all contributed to the increase despite subdued volatility.

Tranches +28%

iTraxx tranche trading volume has surged to almost two times that of US counterparts. Overall liquidity across the European tranche stack also increased year on year.

Single CDS +35%

Since 2022, Single Name CDS has grown 35%. A notable recent trend is the large increase in tech names CDS on the back of record debt issuance.

Europe – A Fertile Landscape

The Credit Ryder Cup: US vs EUR – Spreads

Over the last 5 years, credit has followed the equity markets:

Buy US risk!

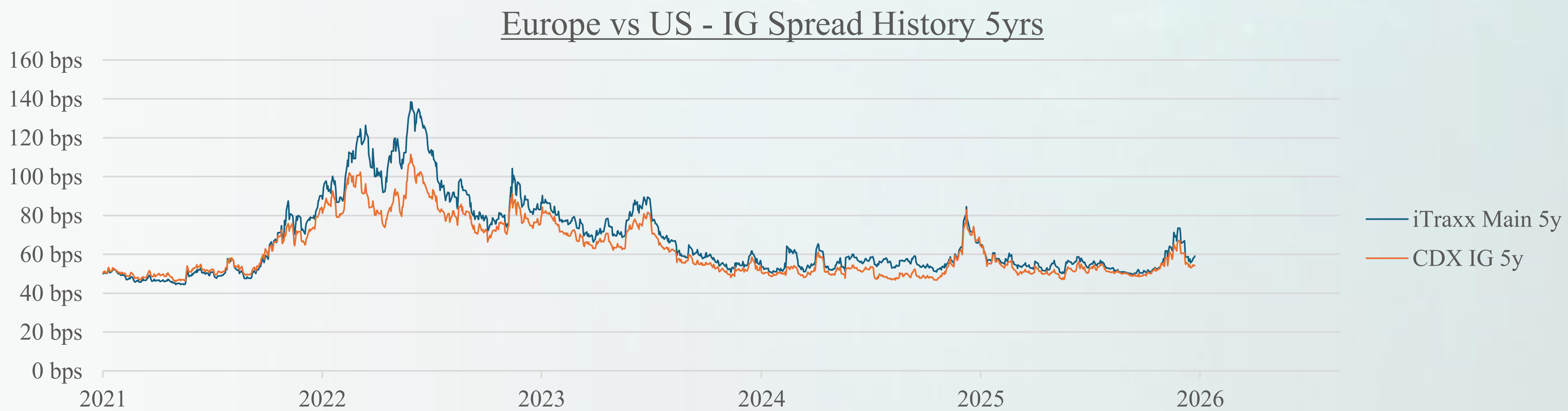
Generally US credit spreads have been tighter, and less volatile than Europe.

The equity story is clearly rationalised:

GDP growth, productivity, innovation.

But credit risk is also about:

- Stability
- Leverage
- Legal framework
- Cultural factors



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The Credit Ryder Cup: US vs EUR – Defaults

If you look at how default risk realises across the two regions, it does not follow spreads!

US credit architecture:

- Fast-paced, high growth & leverage mentality;
- Capital market funding ecosystem
- Chapter 11 for quick resolution & move on.

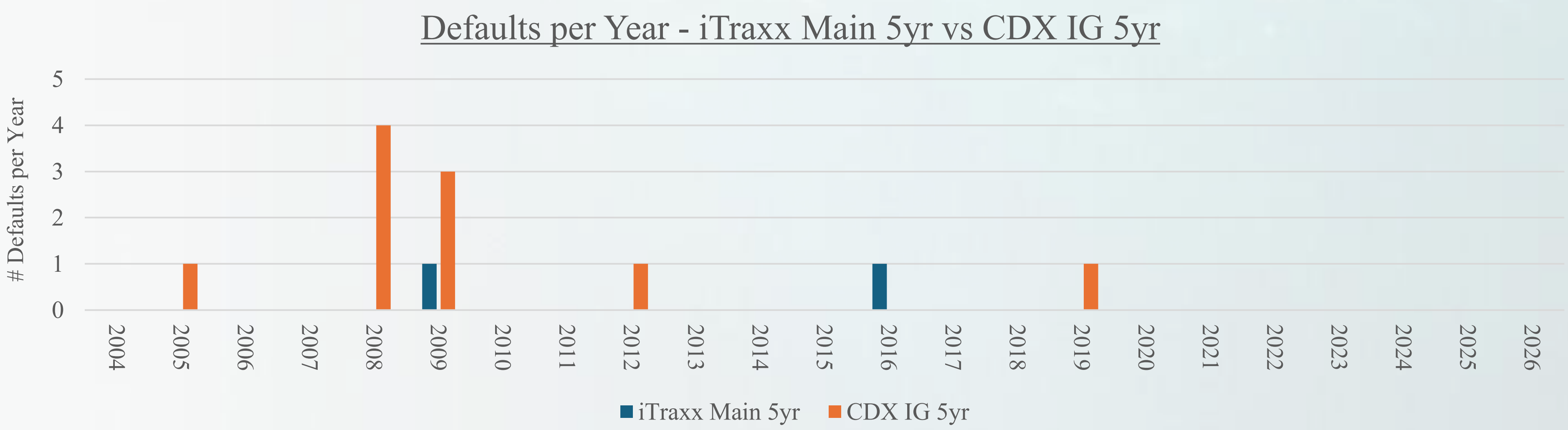
Europe credit architecture:

- Conservative & slower-paced mentality;
- Bank-centric funding ecosystem
- No simple procedure for an EU bankruptcy.

European IG:

- ❑ Wider & more volatile spreads;
- ❑ A more stable default environment.

➢ A better opportunity set!



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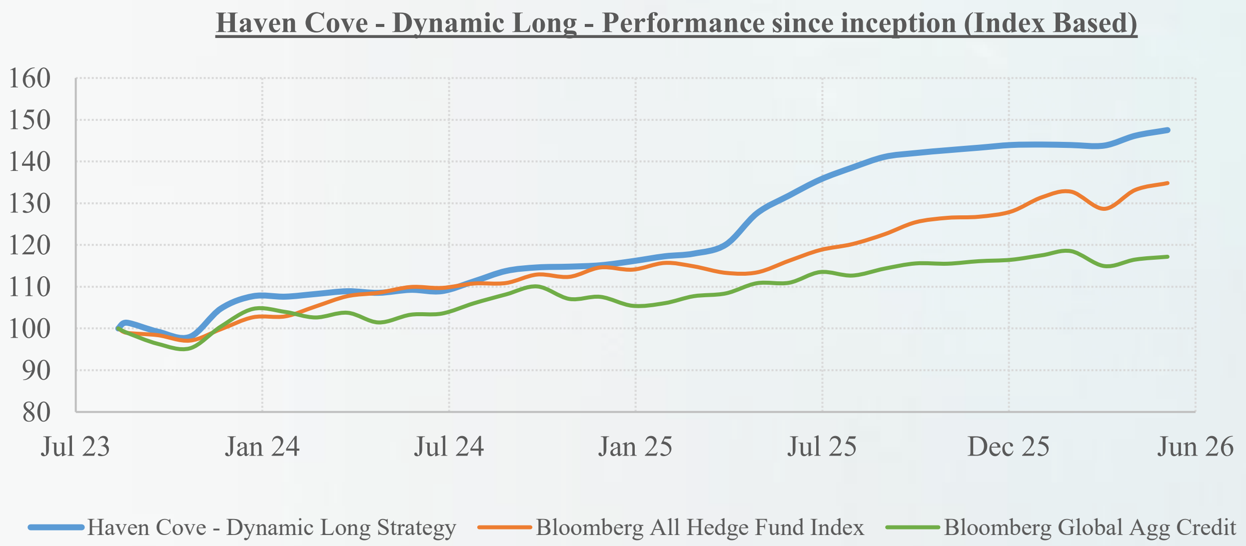
Appendices

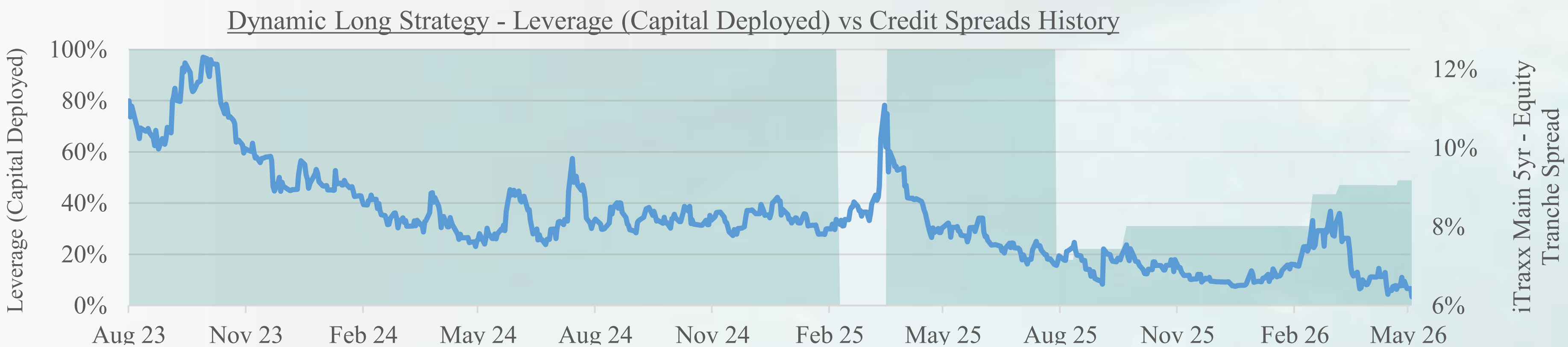
Dynamic Long – Performance

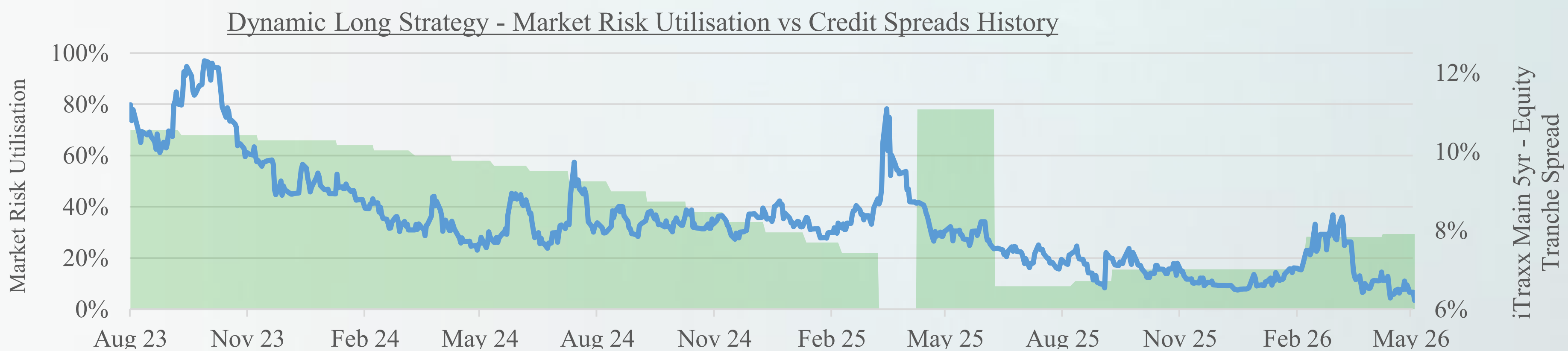
Dynamic Long	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	ITD
2026	0.08%	-0.08%	-0.09%	1.65%	0.92%								**47.52%**
2025	1.01%	0.55%	1.83%	6.24%	3.34%	2.89%	2.13%	1.84%	0.65%	0.48%	0.42%	0.45%	**43.95%**
2024	-0.11%	0.59%	0.62%	-0.35%	0.66%	-0.29%	2.15%	2.24%	0.74%	0.16%	0.29%	0.85%	**16.12%**
2023								1.39%	-2.11%	-1.27%	6.93%	2.82%	**7.73%**



Annualised Stats Since Inception	Haven Cove - Dynamic Long	S&P500	iTraxx Main 5y	Bloomberg Hedge Index
Raw Return	14.92%	22.02%	4.19%	11.27%
Excess Return	9.69%	16.49%	1.17%	6.19%
Volatility	6.21%	13.34%	1.03%	5.18%
Downside Deviation	2.01%	6.97%	0.51%	2.94%
Sharpe	1.56	1.24	1.14	1.19
Sortino	4.82	2.37	2.32	2.11

Dynamic Long – Risk Exposure Evolution





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