



H A V E N

C O V E

Investment Strategy Analysis

November 2025

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Investment Strategies

Investment Offerings

Haven Cove offers direct exposure to CDS through 3 different investment strategies via Separately Managed Accounts (SMAs):

1. Long Only:

- i. Strategy:* Deploy and hold long risk exposure at attractive price entry points
- ii. Aim:* Achieve return targets set within defined timelines and risk limits

2. Dynamic Long:

- i. Strategy:* Actively adjust/calibrate risk & reward exposures to over/underweight in sync with the credit cycle
- ii. Aim:* Generate returns from long side exposure whilst managing draw-downs via dynamic risk allocations

3. Active Directional:

- i. Strategy:* Calibrate exposures (long and short risk) to CDS spreads, running up to max long/max short risk direction
- ii. Aim:* Generate returns from both long and short exposures.

Strategy Performance

Key Strategy Benefits

- Access to the CDS asset class at wholesale/institutional market pricing via Haven Cove
- Strategies that access liquid European investment grade CDS, in a way that does not require margin or financial leverage
- Choice of profiles that can be adjusted to suit the risk appetite, return targets & correlation goals of the mandate

Performance:

- The tables below show the live track-record for each strategy (i.e. the concatenated record of all SMA's under each strategy) and the Annualised IRR when running each of the strategies over a 10 year back test

(1) Long Only

CCY Class	October	LIVE (Nov24 – Present)	10yr Backtested IRR
USD	+ 0.97%	+ 16.30%	+ 10.77%

(2) Dynamic Long

CCY Class	October	LIVE (Aug23 – Present)	10yr Backtested IRR
USD	+ 0.48%	+ 42.71%	+ 12.02%

(3) Active Directional

CCY Class	October	LIVE (Nov24 – Present)	10yr Backtested IRR
EUR	- 0.20%	+ 4.58%	+ 14.39%

Strategy Analytics

- The graph below charts the spread of the 0-3% iTraxx Main Tranche, alongside 5yr Index, over a 10 year period. It illustrates the strong cyclical trend in CDS, long periods of tight spreads, punctuated by widening cycles
- To gain a performance overview for each Haven Cove strategy through time we can use our proprietary investment analytics tool which draws on 10 years of CDS tranche data
- In the following slides the key investment triggers for each strategy are deployed over the course of the 10 year period below, capturing multiple investment cycles and illustrating the performance metrics across each strategy



Long Only

Investment Triggers: Key Points

- **Strategy Aim:** Simply harvest the attractive value spread in CDS with a straightforward enter 100% (max) Long & hold to maturity
- There is no discretion as to timing, entry points, or dynamically allocating risk up and down. Positions are held to maturity and then rolled which achieves an “averaged” entry point over time

Performance Observations

- Achieves a reasonably good return (annualised IRR of 10.77%) relative to other asset classes over the 10 year period (noting that there were no defaults in the sample period)
- However the max draw down of 18% is notable, as is the longest draw down period of 250 days (see next slide for graphics)
- The strategy can be improved with active and dynamic management of risk allocations throughout the investment cycle

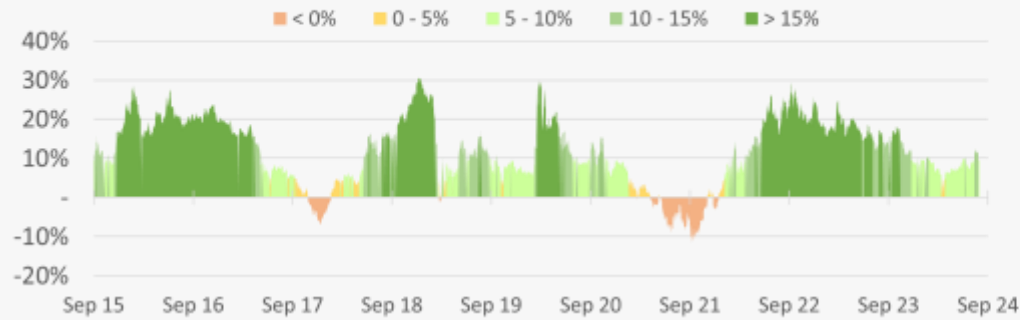
INVESTMENT TRIGGERS		
iTraxx Main 5yr	% 5yr Allocation	% 1-2yr Allocation
0 - 50 bps	70%	30%
50 - 55 bps	70%	30%
55 - 65 bps	70%	30%
65 - 75 bps	70%	30%
75 - 90 bps	70%	30%
90 - 150 bps	70%	30%
Extreme Steepening	70%	30%

PERFORMANCE SUMMARY	
Days	3,623
Years	10
Total Performance	176.14%
Annualised IRR	10.77%
Max Drawdown	-18.29%
Longest Drawdown (Days)	250
Annualised Downside Volatility	-9.89%
Total Portfolio Turnover	1.00 x
Portfolio Turnover per annum	0.10 x

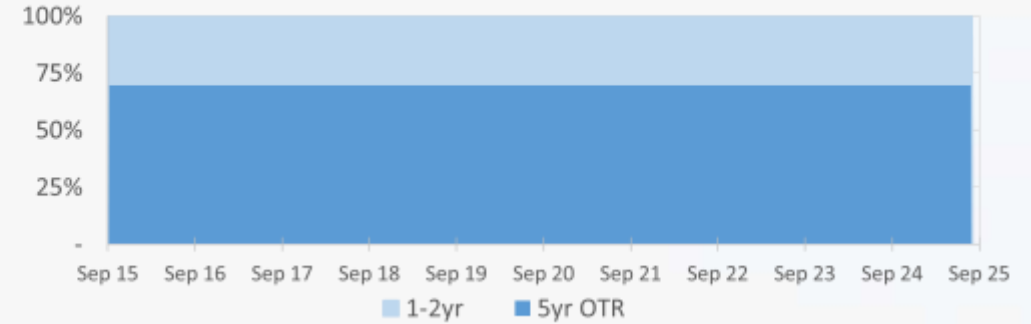
* Assumes a risk free rate of 2%

Long Only

ROLLING ANNUAL RETURNS - 1 YEAR FORWARD



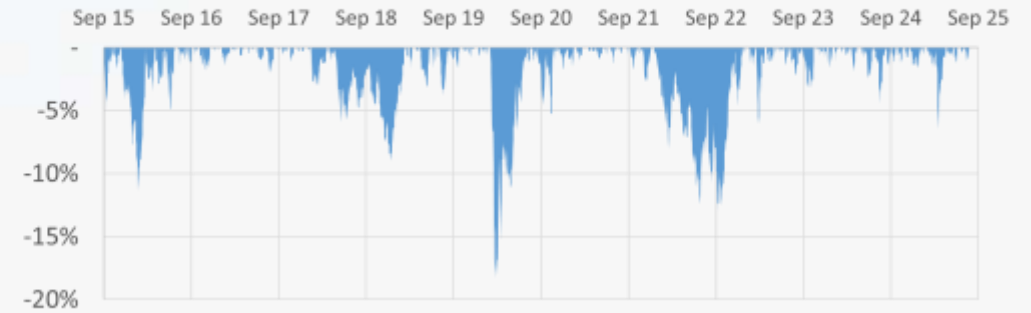
% INVESTED



PERFORMANCE



DRAWDOWN



Dynamic Long

Investment Triggers: Key Points

- **Strategy Aim:** Outperform Long Only strategy by actively adjusting risk allocation between 0% & 100% Long
- Timing, price entry points, quantum of risk allocations (and in which maturity bucket) are calibrated to prevailing CDS spreads
- Overweight positions where spreads are wider, with high carry + probability of MTM profits, underweight where the opposite is true

Performance Observations

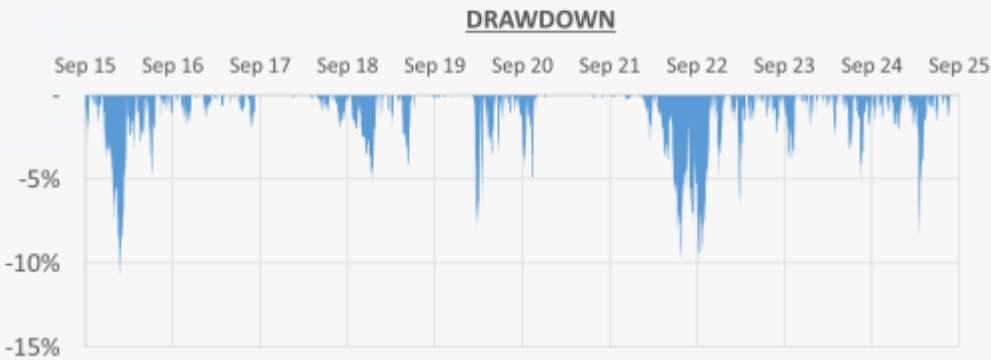
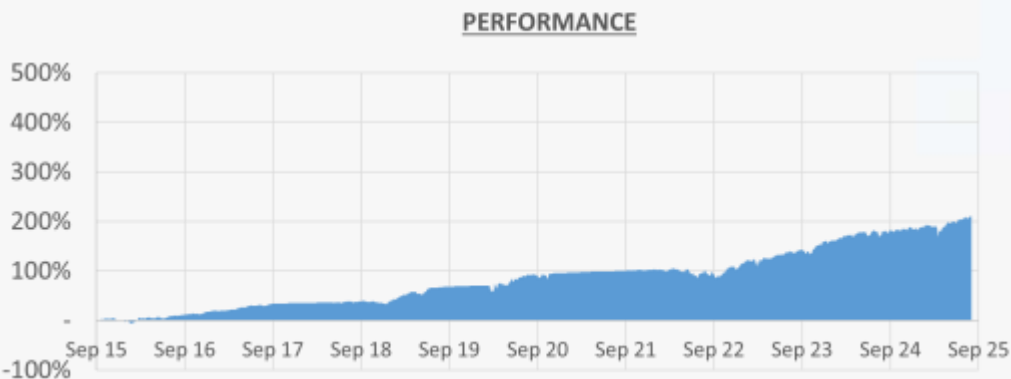
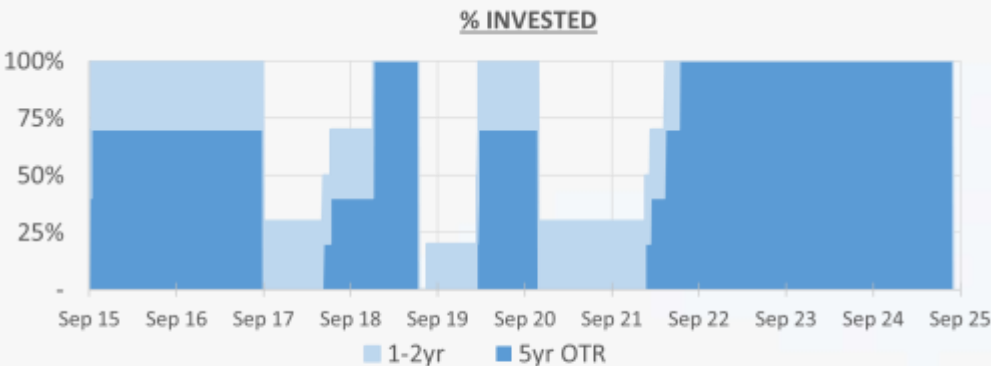
- Materially improves performance vs Long Only Strategy:
 - Annualised IRR (12.02% vs 10.77%)
 - Max draw down (10.86% vs 18.29%)
 - Longest draw down (153 days vs 250 days)
- Represents an optimal strategy to monetisation the attractive value spread in CDS from the long side (see next side for graphics), but does not monetise any value from the short side

INVESTMENT TRIGGERS		
iTraxx Main 5yr	% 5yr Allocation	% 1-2yr Allocation
0 - 50 bps	0%	0%
50 - 55 bps	0%	0%
55 - 65 bps	0%	20%
65 - 75 bps	20%	30%
75 - 90 bps	40%	30%
90 - 150 bps	70%	30%
Extreme Steepening	100%	0%
50 bps	Long Unwind	

PERFORMANCE SUMMARY *	
Days	3,623
Years	10
Total Performance	208.63%
Annualised IRR	12.02%
Max Drawdown	-10.86%
Longest Drawdown (Days)	153
Annualised Downside Volatility	-8.27%
Total Portfolio Turnover	7.00 x
Portfolio Turnover per annum	0.71 x

* Assumes a risk free rate of 2%

Dynamic Long



Active Directional

Investment Trigger: Key Points

- **Strategy Aim:** Generate returns from both the long and short side by actively adjusting risk between 100% Short & 100% Long
- Timing, price entry points, quantum of risk allocations (and in which maturity bucket) are calibrated to prevailing CDS spreads
 - i. Build up long risk at pricing points with high carry + high probability of mark-to-market profits
 - ii. Move to neutral positioning where spreads trend towards historically tight ranges
 - iii. Enter Short risk at points where spreads enter historically tight ranges and offer a high probability of market sell-off

Performance Observations

- Can generate the highest returns (as expected with both long and short side contributing). However, requires patience in periods of low volatility where returns can be low or negative (see next slide) and a high risk appetite to hold these positions.

INVESTMENT TRIGGERS

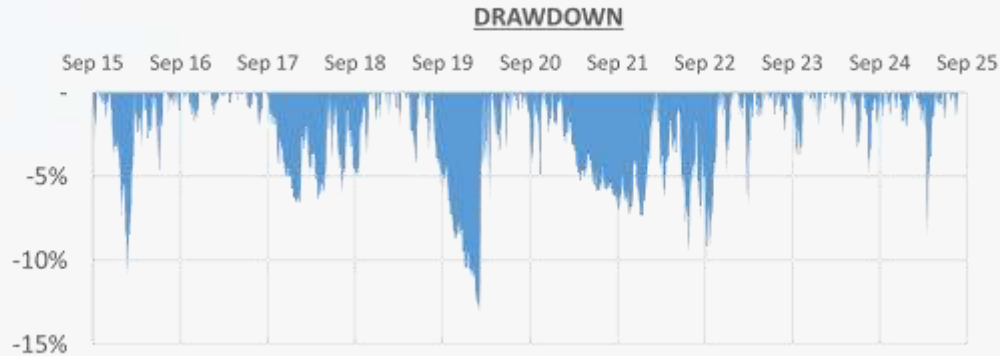
iTraxx Main 5yr	% 5yr Allocation	% 1-2yr Allocation
0 - 50 bps	-100%	0%
50 - 55 bps	-30%	20%
55 - 65 bps	0%	20%
65 - 75 bps	20%	30%
75 - 90 bps	40%	30%
90 - 150 bps	70%	30%
Extreme Steepening	100%	0%
50 bps	Long Unwind	
90 bps	Short Unwind	

PERFORMANCE SUMMARY *

Days	3,623
Years	10
Total Performance	279.79%
Annualised IRR	14.39%
Max Drawdown	-13.09%
Longest Drawdown (Days)	268
Annualised Downside Volatility	-8.49%
Total Portfolio Turnover	13.00 x
Portfolio Turnover per annum	1.31 x

* Assumes a risk free rate of 2%

Active Directional



Strategy Update: Dynamic Long

Background

- The Investment triggers in the Dynamic Long strategy firstly look at where we are in the spread range, and then look at the optimal mixture of duration risk to take, and then lastly the quantum of risk
- iTraxx Main OTR Spreads are currently towards the tighter end of the spectrum - but not at historic tights
- Accordingly the strategy recognises that there is value in deploying some risk, but favours the short end of the curve because this will provide an improved run-rate in the short term, and behave relatively well vs the long end of the curve in a sell off

Current Positioning

- This strategy is currently between 12% and 16% invested across various mandates, skewed to short maturity – this is right in the sweet spot of the strategy’s investment parameters
- There will be periods where spreads remain in a tight range and the key to generating the highest overall long term return is to maintain investment discipline and not overcommit to positions (especially in the more volatility 5yr maturities). Retaining an underweight position at these spreads will enable an optimal risk allocation when spreads inevitably widen
- Appendix I extrapolates this point with Dynamic Long “2.0”, distilling the max/min holdings in pursuit of highest returns

Strategy Update: Active Directional

Background

- The Investment triggers in the Dynamic Long strategy firstly look at where we are in the spread range, and then look at what type of risk to deploy (short or long duration), the optimal mixture of duration risk, and lastly the quantum of risk
- iTraxx Main OTR Spreads are currently towards the tighter end of the spectrum - but not at historic tights
- Where spreads are hovering in this bracket, the strategy recognises the value of near term long positons with lower spread vol, as these generate incremental returns and help pay for some short side positioning (in longer dated maturities with higher spread vol)

Current Positioning

- This strategy is currently long at the 2yr maturity point, and short at the 5yr maturity point, giving the portfolio an overall net short risk position (i.e. in a sell-off the portfolio will be in the money)
- As the back test illustrates, the Active Directional strategy has the greatest potential for long term returns, but can feel frustrating in terms of performance during periods where spreads remain range bound towards the tighter end of the spectrum
- Appendix II illustrates this point with Active Directional “2.0”. This distils long/short allocations in pursuit of the highest returns

Dynamic Long 2.0

Investment Trigger: Key Points

- Here we adjust investment triggers:
 - a) A higher bar for taking long exposure to the 5yr (>90bps), rather than from (>65bps)
 - b) And a lower Long Unwind trigger i.e. stay invested for longer even when spreads have tightened

Performance Observations

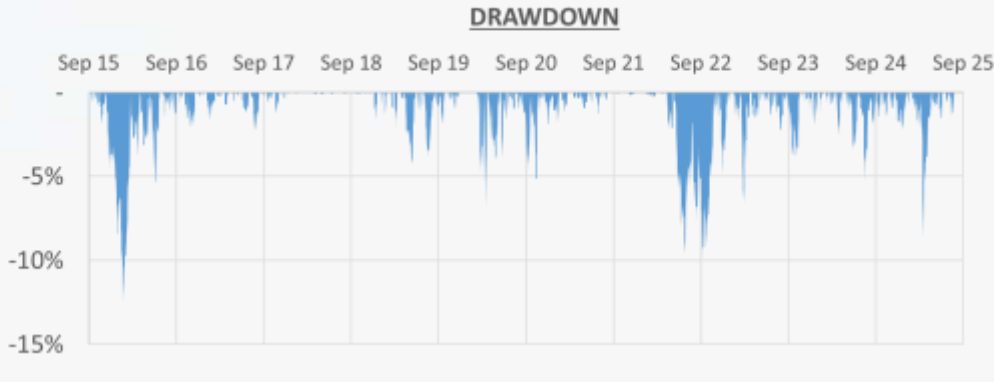
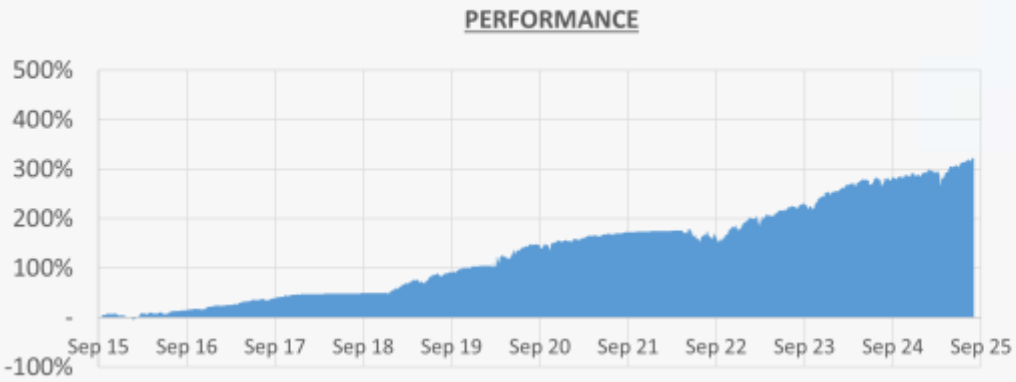
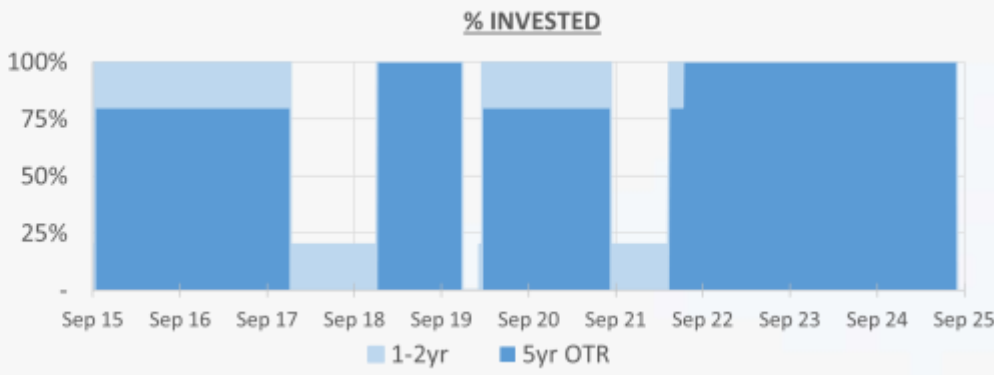
- Improves annualised IRR for the 10yr sample period 2015 – 2025
- HOWEVER the trigger points here are set to maximise returns based on historic spreads. The risk is that future spreads may not follow the same pattern (e.g. if spreads remain 55-80bps for long periods this strategy would remain underweight & underperform
- This is a useful exercise to analyse the importance of risk allocation discipline and to always analyse where triggers are set in the pursuit of optimal performance

INVESTMENT TRIGGERS		
iTraxx Main 5yr	% 5yr Allocation	% 1-2yr Allocation
0 - 50 bps	0%	0%
50 - 55 bps	0%	0%
55 - 65 bps	0%	20%
65 - 75 bps	0%	20%
75 - 90 bps	0%	20%
90 - 150 bps	80%	20%
Extreme Steepening	100%	0%
45 bps	Long Unwind	

PERFORMANCE SUMMARY *	
Days	3,623
Years	10
Total Performance	320.06%
Annualised IRR	15.56%
Max Drawdown	-12.44%
Longest Drawdown (Days)	115
Annualised Downside Volatility	-8.12%
Total Portfolio Turnover	7.00 x
Portfolio Turnover per annum	0.71 x

* Assumes a risk free rate of 2%

Dynamic Long 2.0



Active Directional 2.0

Investment Trigger: Key Points

- Here we adjust investment triggers:
 - a) A higher bar for taking long exposure to the 5yr (>90bps), and a higher bar for taking short exposure (<45bps)
 - b) And a lower Long Unwind trigger i.e. stay invested for longer even when spreads have tightened

Performance Observations

- Improves results for the 10yr period 2015 – 2025
- HOWEVER this again relies of backward looking data for trigger points and is an extreme “bar bell” approach to risk, allocating large short & long positions at extreme spreads. It requires a tolerance for very little risk allocation (and return) in between
- The key discussion point is the short, when spreads trend towards the tighter range (but not historic tights) should we run a strategy where the long pays for the short – or should we set a higher bar for the short and seek a larger pay-off

INVESTMENT TRIGGERS

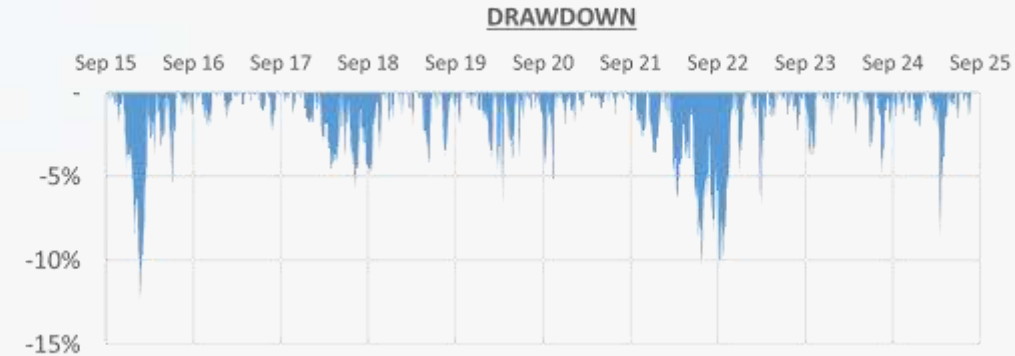
iTraxx Main 5yr	% 5yr Allocation	% 1-2yr Allocation
0 - 45 bps	-100%	0%
45 - 55 bps	0%	0%
55 - 65 bps	0%	20%
65 - 75 bps	0%	20%
75 - 90 bps	0%	20%
90 - 150 bps	80%	20%
Extreme Steepening	100%	0%
45 bps	Long Unwind	
90 bps	Short Unwind	

PERFORMANCE SUMMARY *

Days	3,623
Years	10
Total Performance	493.12%
Annualised IRR	19.64%
Max Drawdown	-12.44%
Longest Drawdown (Days)	179
Annualised Downside Volatility	-8.64%
Total Portfolio Turnover	13.00 x
Portfolio Turnover per annum	1.31 x

* Assumes a risk free rate of 2%

Active Directional 2.0



Credit Health Check: Fundamentals

RISKS & MONITORING

CDS exposes the investor to two key risks:

- 1. Default Risk
- 2. Spread Volatility risk

(1) Default Risk: Some Observations

- Forecasting a recession has been notoriously difficult with the energy crisis post Russian invasion of Ukraine, the 2s10s Treasuries inversion, regional banking crisis with SVB and Credit Suisse and the trade war all failing to so far produce one. The latest BNP credit cycle indicator (opposite) which measures where we are in the cycle illustrates a position of continued European strength
- Within European IG, dispersion continues to be extremely low with plentiful liquidity from public and private markets for refinancing. There have been credit problems in single names, however these haven been isolated in the US and European high yield rather than carrying systemic implications. Within the investment grade universe, equity earnings continue to hold up well with majority Q3 beats in the US and Europe
- Credit Fundamentals in the European IG space continue to be strong - ratings saw their biggest improvement in almost two decades (JPM Figure 2) with the average rating of the IG benchmark is the highest it has been since 2016 (just below A-)



Figure 2: Euro Investment Grade Rating Upgrades and Downgrades, % of bonds



Source: J.P. Morgan, Bloomberg Finance L.P. % of bonds up/downgraded by at least one notch by at least one rating agency.

Credit Health Check: Trading Indicators

(2) Spread Volatility: Indicators to Monitor

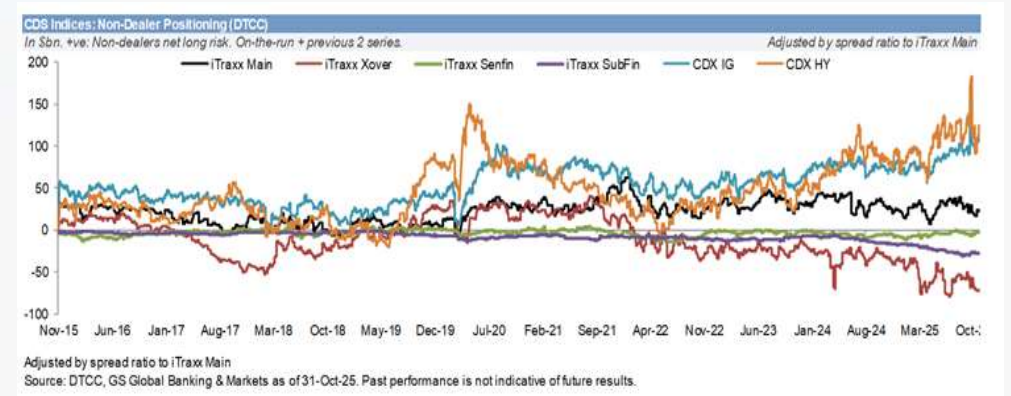
The Technical Position in European IG

- In addition to tracking the macro environment/credit fundamentals within the European corporate IG space, we also like to gauge the impact that the technical position within the physical asset class may have on CDS volatility
- The cash inflow, or technical position within the European IG space continues to be extremely strong with persistent cumulative capital being allocated (JPM graph opposite). This robust technical position is a key indicator to track as it can act to supress spreads, or help contain volatility within the CDS asset class



Positioning within CDS

- Positioning (underweight, neutral, overweight) can lead to exacerbated moves when it becomes stretched in either direction, and this is especially true in the CDS asset class with the index being very liquid and the space being used across CTAs, broader hedge funds and real money
- At the moment, positioning in European IG is certainly not stretched (GS graph opposite - black line), whereas positioning in European high yield is actually short risk. Although our strategies are not exposed to the US, we continue to monitor long risk positioning there which has started to look stretched (blue and orange lines)



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