



KLS Ionic Relative Value Arbitrage Fund

IONIC Capital
Management® LLC

Objective

The KLS Ionic Relative Value Arbitrage Fund seeks to identify and exploit arbitrage opportunities across multiple asset classes, where a relative pricing or implied volatility discount exists. The Fund focuses on four core arbitrage strategies including Convertible Arbitrage, Equity Arbitrage, Volatility Arbitrage, and Credit Arbitrage. The combination of these contributes to the Fund having a non-correlated return profile relative to traditional asset classes. The flexible mandate and investment process enables the Fund to take advantage of the best opportunities, as well as market dislocations to generate additional alpha. The arbitrage strategies often benefit from increased volatility, while the Fund's long volatility exposure is designed to provide some downside protection during significant market selloffs. The Fund is actively managed and not managed by reference to a benchmark.

Commentary

In September investor complacency around the soft-landing narrative shifted as the Fed voiced its intent to hold interest rates "higher for longer" given lingering inflationary pressures. A strong dollar and higher energy prices created additional headwinds. WTI rose above \$90, the S&P 500 fell -4.9%, and 10-year Treasury yields increased from 4% to 4.6% during the month. While meaningful, the move in equity prices and interest rates has only modestly impacted credit spreads and volatility across asset classes. Unprecedented monetary tightening is likely to keep inflation slowing and the economy cooling, but concerns are rising that the "higher for longer" approach may indeed cause something in the economy to break. The KLS Ionic Relative Value Arbitrage Fund generated a gain of +35bps in September, primarily attributable to our Credit/Rates Relative Value and Opportunity strategies.

The Convertible Arbitrage strategy declined -23bps in September. Equity-sensitive bonds were adversely impacted by the month's pullback in the equity market, and we used this opportunity to increase exposure to two of these positions. A corporate refinancing transaction within an existing position helped offset some of these losses. While we saw an increase in convertible issuance in September (eleven new issues totaling \$6.2 billion, bringing YTD issuance to \$39.3 billion within the U.S.) pricing terms were not compelling, and we did not add exposure. We remain cautious on valuations within traditional convertible arbitrage domestically and continue to source and maintain exposure to the Japanese convertible market where valuations are cheap relative to the U.S. convertible market.

The Credit/Rates Relative Value strategy gained +29bps during the month. CDS credit hedges gained as investment grade credit spreads widened marginally. Our exposure to higher-quality, shorter-maturity bonds hedged by this short credit positioning remains the largest theme in our portfolio, offering upside to a hard landing scenario with interest rate curve steepening and credit spreads widening. Credit markets continue to be remarkably resilient despite continued increases in 2-year and 10-year rates. Elsewhere in the strategy, we began building exposure to credit closed-end funds, specifically targeting funds that do not employ leverage, to take advantage of NAV discount widening.

The Equity Arbitrage strategy declined -13bps in September, primarily attributable to weakness in the equity pairs sub-strategy. Within our warrant arbitrage exposure, an exchange offer announced by the issuing company benefitted a position for a second month. Merger arbitrage exposure also contributed modest gains.

The Opportunity strategy gained +26bps during the month primarily attributable to our OTC call option on a basket of factor-based risk premia strategies, which has steadily increased in value since we initiated the position in the second quarter.

The Volatility Arbitrage strategy contributed +17bps in September. Gains from our short vol theme around a basket of regional banks were partially offset by weakness in our equity index vol exposure, where vols have remained subdued given high levels of dispersion.

Fund Details

Launch Date:	16 th July 2020
Fund Size:	\$106m
Ionic AUM	\$3.8bn
Fund Structure:	UCITS
Domicile:	Ireland
Min Investment:	Class SI: \$50,000,000 Class I: \$1,000,000 Class R: \$10,000
Currencies:	USD (base); GBP, CHF, EUR (all hedged)
Management Fee:	Class SI: 0.75% Class I: 0.95% Class R: 1.50% Class SIF: 1.50%* *no performance fee
Pricing:	Daily
Liquidity:	Daily
Performance Fee:	15% above one month SOFR hurdle and high water mark
Manager:	Waystone Management Company (IE) Limited
Investment Manager:	Kepler Partners LLP
Sub Inv. Manager:	Ionic Capital Management LLC
Portfolio Managers:	Bart Baum Dan Stone Doug Fincher
Inv. Universe:	Global
UK Reporting Status:	Yes
Country Registrations:	Ireland UK France Germany Spain Switzerland Singapore (QI)



Performance

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2023	0.76%	0.07%	0.15%	-0.66%	0.43%	0.76%	0.61%	-0.44%	0.35%				2.05%
2022	-1.79%	0.81%	0.13%	-1.58%	-2.54%	-1.79%	0.92%	1.48%	-1.53%	-1.01%	-0.93%	-0.03%	-7.66%
2021	5.93%	5.77%	-2.80%	-0.32%	-0.73%	1.97%	-3.35%	-1.95%	1.03%	1.76%	-0.12%	-2.61%	4.13%
2020							0.14%	0.54%	0.20%	-0.23%	2.59%	5.65%	9.08%

As at 29th September 2023.

Fund performance is net return of USD F Class. Return figures are since inception on 16th July 2020. Past performance is not necessarily a guide to future performance. The value of investments and the income from them may fall as well as rise and you may not get back the amount of your original investment.

Net Strategy Attribution¹

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
Convertibles	0.74%	-0.29%	0.14%	0.05%	0.64%	0.44%	0.58%	-0.53%	-0.23%				1.55%
Credit	-0.77%	0.45%	0.32%	-0.07%	-0.11%	-0.59%	-0.07%	0.11%	0.29%				-0.39%
Equities	0.86%	0.00%	-0.19%	-0.51%	-0.14%	0.09%	0.37%	0.35%	-0.13%				0.73%
Opportunities	0.04%	0.06%	-0.13%	-0.03%	-0.02%	0.22%	0.16%	-0.01%	0.26%				0.54%
Volatility Arbitrage	-0.11%	-0.14%	0.01%	-0.11%	0.06%	0.61%	-0.43%	-0.36%	0.17%				-0.38%
Total	0.76%	0.07%	0.15%	-0.66%	0.43%	0.76%	0.61%	-0.44%	0.35%				2.05%

Net attribution data as at 29th September 2023. Past performance is not necessarily a guide to future performance. The value of investments and the income from them may fall as well as rise and you may not get back the amount of your original investment.

Monthly Strategy Exposures²

	LONG	SHORT	NET	GROSS
Convertibles	67.8%	-29.7%	38.1%	97.4%
Credit	26.3%	-0.1%	26.2%	26.3%
Equities	57.7%	-17.6%	40.1%	75.3%
Interest Rates	7.8%	0.0%	7.8%	7.8%
Opportunities	2.9%	-1.4%	1.6%	4.3%
Volatility Arbitrage	40.5%	-39.7%	0.8%	80.2%
Total	203.0%	-88.4%	114.6%	291.4%

Top 5 Positions (Net)

	WEIGHT
US Treasury	5.8%
A SPAC II Acquisition Corp	2.9%
Pershing Square Holdings Ltd/F	2.9%
Jaws Mustang Acquisition Corp	2.6%
Microsoft	2.3%
Total	16.4%

Geography Exposure²

	WEIGHT
North America	96.1%
Rest of the World	18.5%
Total	114.6%



Top 5 Positions (Long)

	WEIGHT
S&P 500 Index	13.6%
Yaoko Co Ltd	6.6%
US Treasury	5.8%
Takashimaya Co Ltd	4.8%
Nippon Steel	4.4%
Total	35.2%

Top 5 Positions (Short)

	WEIGHT
S&P 500 Index	-14.0%
Yaoko Co Ltd	-6.6%
Takashimaya Co Ltd	-5.0%
Nippon Steel	-4.2%
Target Hospitality	-3.1%
Total	-32.8%

Share Classes

	NAV PER SHARE	ISIN	INCEPTION DATE
Class F USD	107.03	IE00BLR66984	16/07/2020
Class F GBP	105.42	IE00BLR66C10	16/07/2020
Class F EUR	101.85	IE00BLR66B03	16/07/2020
Class SIF USD	105.92	IE00BLR66T86	16/07/2020
Class I EUR	99.31	IE00BLR66G57	28/09/2020
Class SI GBP	103.30	IE00BLR66R62	30/10/2020
Class I USD	104.59	IE00BLR66F41	02/11/2020
Class I GBP	94.15	IE00BLR66J88	07/01/2021
Class I CHF	84.39	IE00BLR66H64	05/05/2021
Class SI EUR	84.91	IE00BLR66Q55	07/07/2021
Class SI USD	88.65	IE00BLR66P49	07/07/2021

As at 29th September 2023.

Notes:

1. The performance shown are net returns taking into account the reinvestment of all dividends, trading expenses, and operating expenses such as administrative, custodial, professional expenses, management fees and distribution fees or charges. Such performance information was calculated based solely on unaudited valuations determined in accordance with Fund's valuation methodology. Actual audited returns of the Fund may differ, and may differ materially, from the results presented herein. Additional information about the Fund contained in the offering materials or other similar documentation relating to the Fund.
2. Delta-adjusted net exposure of each sub-strategy of the Fund as a percentage of the Fund's net assets. Such exposures do not include any expenses or fees, including, but not limited to, any management fees or distribution fees or charges. Such exposure information was calculated at the portfolio-level based solely on estimated and unaudited valuations determined in accordance with Ionic Capital Management LLC's internal valuation methodology. For Index Swaps, we are reporting the exposure figures in term of their sensitivities (CS01 for CDS Indices and Inflation DV01 for Inflation Swaps) while using the duration and delta-adjusted notional for other asset types. All data contained herein is from sources believed to be reliable, but none of the Fund, Ionic Capital Management LLC nor their respective affiliates assume any responsibility for, or make any representation or warranty, express or implied, as to the adequacy, accuracy or completeness of any information contained herein or for the omission of any information relating thereto. This information does not constitute an offer to sell or a solicitation of any offer to buy or sell any securities. Additional information about the Fund including, but not limited to, the actual historical performance.



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