

FIXED INCOME HEDGE STRATEGY

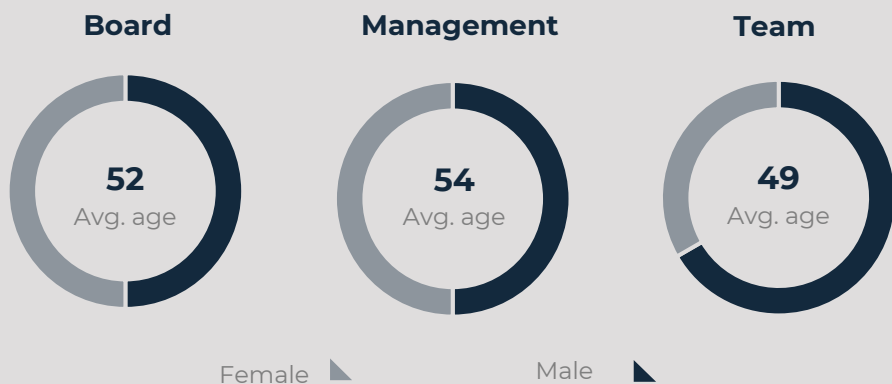
LOW CORRELATION TO OTHER ASSET CLASSES

LIQUID ALTERNATIVE INVESTMENT

**CABA
/ HEDGE**

CABA Capital

CABA Capital is an independent asset management firm specializing in fixed income-based strategies. Established in 2016 by the three owners: Carsten Bach (CIO), Mette Østerbye Vejen (CEO), and Niels-Ulrik Mousten (Chairman). The company currently manages assets worth over EUR 125 million and caters exclusively to professional investors. Our flagship fund, CABA Hedge, has received several awards from respectable organizations such as Barclay Hedge and HFM.



CABA Capital is a licensed investment firm under supervision of the Danish Financial Supervisory Authority.

The company employs six highly skilled people that are supported by four board members.

Management and Investment Team

Mette Østerbye Vejen

Chief Executive Officer

moe@cabacapital.dk

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Mette Østerbye Vejen (1974) has more than 25 years of experience in the financial sector, where she has primarily been responsible for portfolio management of Danish and European equities. Mette has previously worked at Dexia Bank Denmark, SEB Asset Management and Industriens Pension. Most recently, Mette worked at Danske Capital, where she was responsible for developing alternative investment products. Mette was also a member of the Danske Bank Product Governance Group, which have the global responsibility for Governance in relation to MIFID II.

Kristian Myrup Pedersen

Fixed Income Quant

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Kristian Myrup Pedersen (1981) has more than 15 years of experience in the financial sector, where he has primarily been involved in analysis and portfolio management of bonds. Kristian has worked at Danske Bank where for the first 4 years he worked on investment analysis of bonds, and for the following 2 years he worked as portfolio manager in the Investment Management department. From 2014 to 2020, Kristian worked at Sparinvest as a portfolio manager of Danish government and mortgage bonds.

Carsten Bach

Chief Investment Officer

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Carsten Bach (1965) has more than 35 years of experience in the financial sector, where he primarily has been engaged with fixed income portfolio management. Carsten was Deputy Director of Danske Bank's Proprietary Trading and was thus responsible for managing more than DKK 200bn. Most recently, Carsten was Head of Investment Management at Danske Bank, in a department acting like a hedge fund.

Jørgen Ole Jørgensen

Senior Hedge Fund Manager

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Jørgen Ole Jørgensen (1966) has more than 30 years of experience from the financial sector. Jørgen worked for Asgard Asset Management as Senior Portfolio Manager from 2015-2022. Before that he was responsible for Derivatives Trading at SEB in Copenhagen. From 1999 to 2008 Jørgen was Proprietary Trader and Head of Proprietary Trading at Handelsbanken in Stockholm and Nykredit in Copenhagen, respectively.

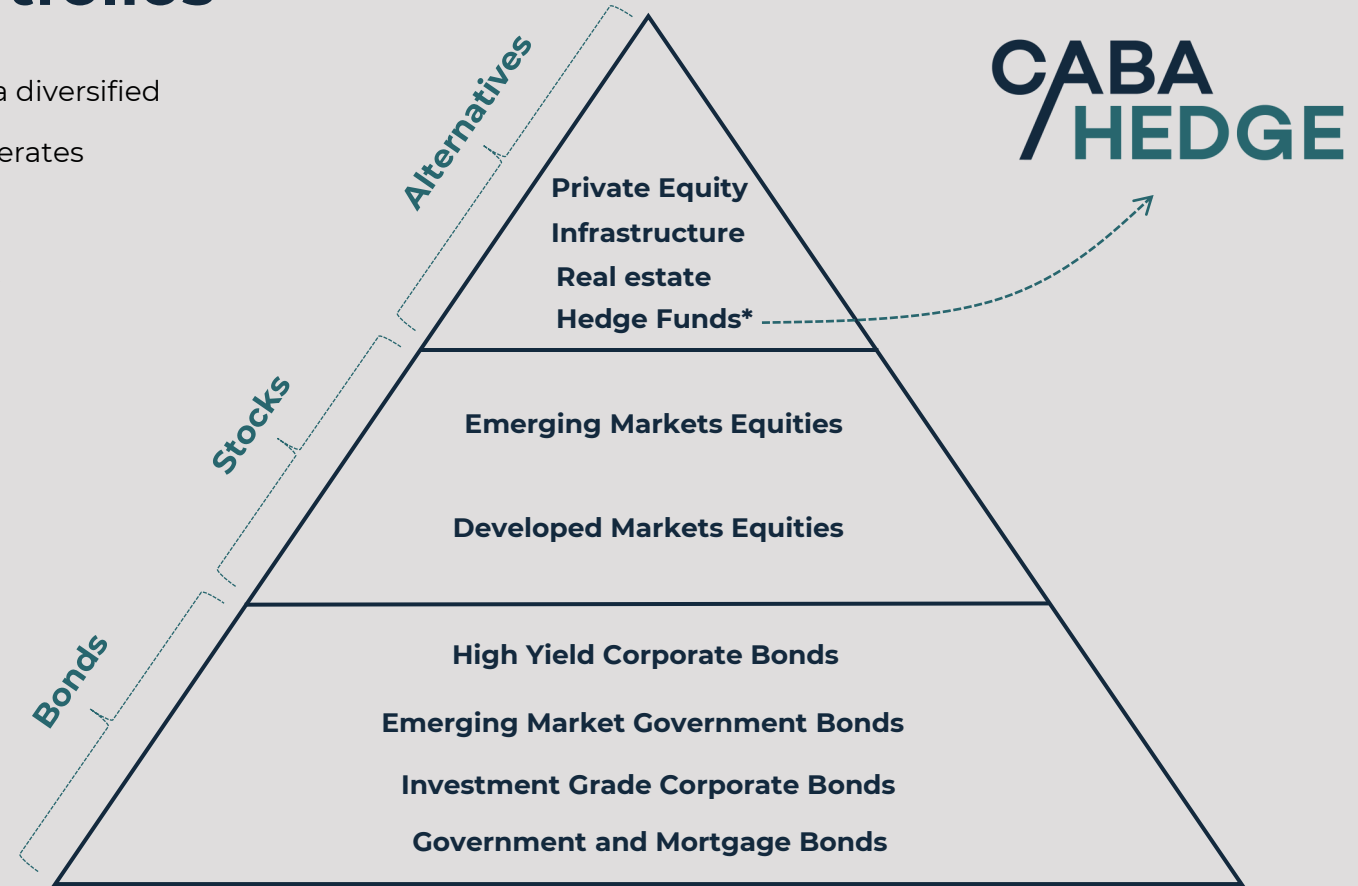
Signatory of:



An add-on to Diversified Portfolios

CABA Hedge serves as a complementary component for enhancing a diversified investment portfolio comprising equities and bonds. The strategy operates independently of a benchmark, prioritizing the delivery of consistent positive returns. The approach hinges on dynamic risk management, allowing for flexible adjustments in response to prevailing market conditions. Anticipated outcomes include the generation of a steady yield, characterized by minimal drawdowns, and exhibiting a low correlation with other asset classes. CABA Hedge is a liquid alternative investment option offering investors, the flexibility and accessibility needed to navigate the complex investment landscape.

ISIN: [DK0060814523](#)



* Within alternative investments, hedge funds are generally the most liquid subsegment, and within hedge funds, CABA Hedge is among the most liquid ones.

Scandinavian Fixed Income

Scandinavian bonds have the highest credit rating due to the region's strong economic fundamentals, stable political climate, and conservative fiscal policies. AAA-rated Scandinavian bonds, which offer the lowest default risk, are particularly sought-after. The stability of the region's economies makes Scandinavian bonds a low-risk asset.

CABA Capital enjoys a substantial home advantage due to our extensive knowledge of the markets, economic conditions, and political landscape, which gives us a deep understanding of the factors that impact Scandinavian AAA-rated bond values. By utilizing our expertise in these areas, we can make informed investment decisions and seize opportunities that others may overlook. Ultimately, this home advantage allows us to maximize returns for our investors.



Danish Mortgage

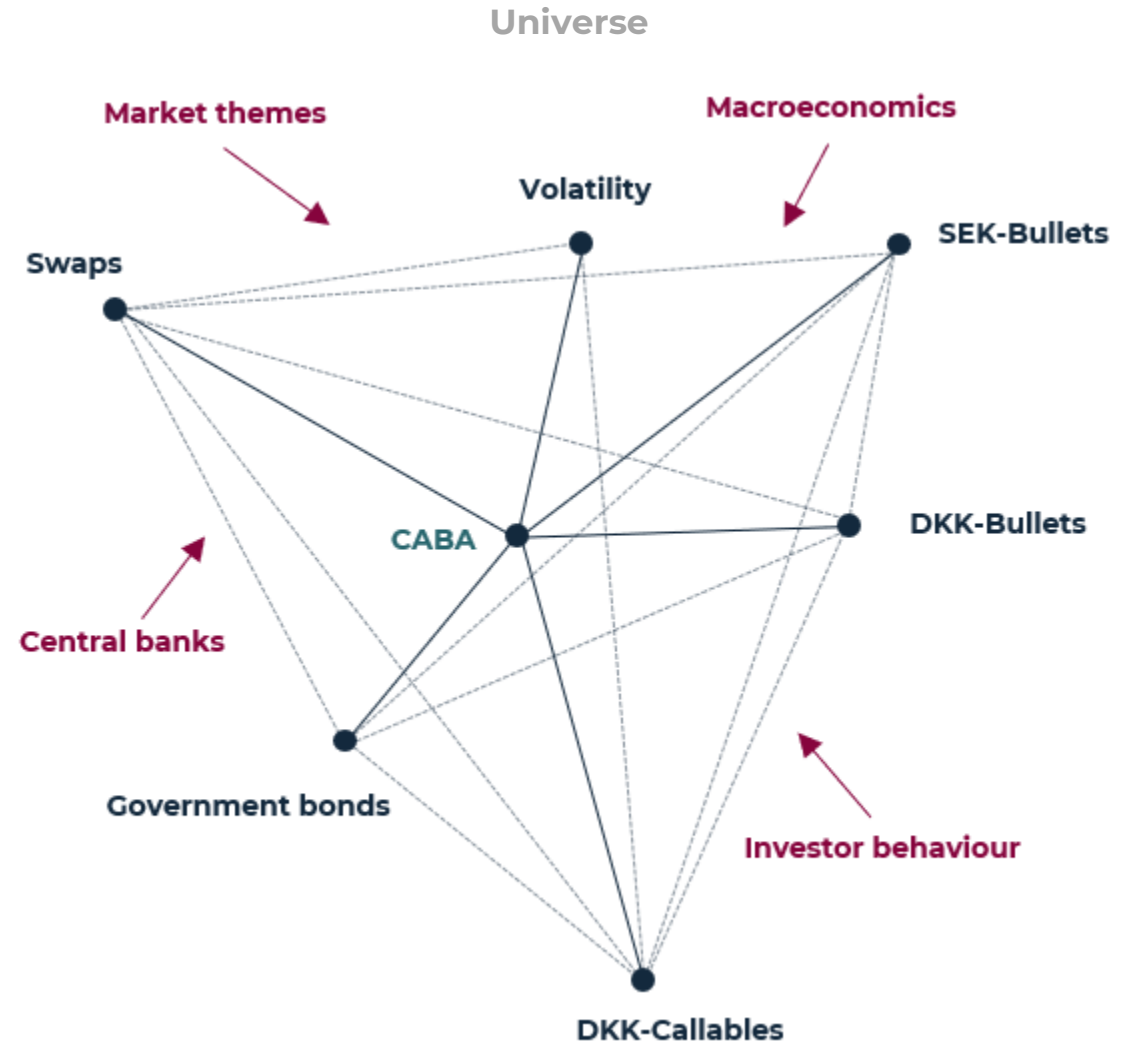
- Danish Mortgage banks only grant loans secured by mortgages on real estate.
- The mortgage banks must observe the rules of the Danish Financial Supervisory Authority when assessing the value of a property
- The mortgage banks fund loans solely by selling bonds
- Direct match between a loan and the bonds issued to fund the loan
- Deposits are not allowed = no risk of bank runs
- Investors who buy the issued bonds do not incur any default risk in practice.

Source: Finance Denmark

Only 11 countries in the world holds a AAA credit rating.
The Danish covered bond market trace its roots back to 1797 with no records of defaults.

Bond Universe

The investments are made within the Scandinavian bond universe and is based on relative-value analyses. This approach implies that all parts of the investment universe is analyzed against each other, including the interest rate differentials between mortgage and government bonds as well as the interest rate differentials between different types of mortgage bonds. All for the purpose of identifying the trades that are expected to provide the best possible return, considering the risk and in the context of current events, macroeconomic prospects, the actions of central banks and the behaviour of other investors. By trades is meant either trades where an attractive carry is obtained or trades that potentially can generate returns in certain market scenarios. This creates an attractive return/risk-profile that does not follow other asset classes.



Covered Bond Market

Danmark
€ +450 billion

Sweden
€ +225 billion

Norway
€ +60 billion

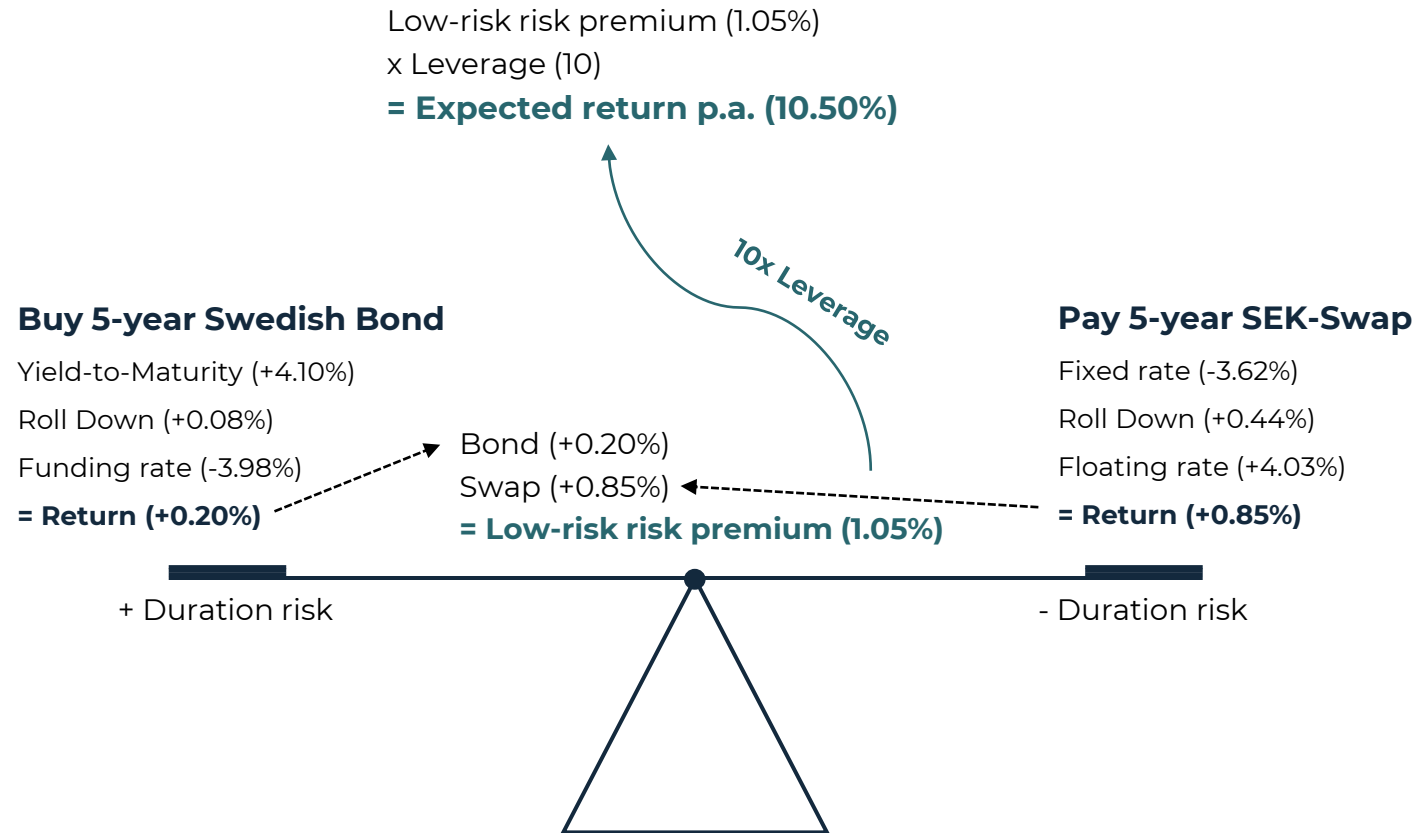
Risk Premiums

The cornerstone of the strategy is to utilize structural risk premiums.

For example, by buying a Swedish mortgage bond with the highest credit rating and at the same time hedging the interest rate risk by selling a Swedish government bond, a risk premium in the form of a higher interest rate is isolated.

This is a low-risk risk premium, which is considered to be attractive relative to the underlying risk, although the risk premium for most investors is too small to be attractive in absolute terms. Hence, financial leverage is used to increase the risk premium to a higher and more attractive absolute level.

Utilization of structural risk premiums



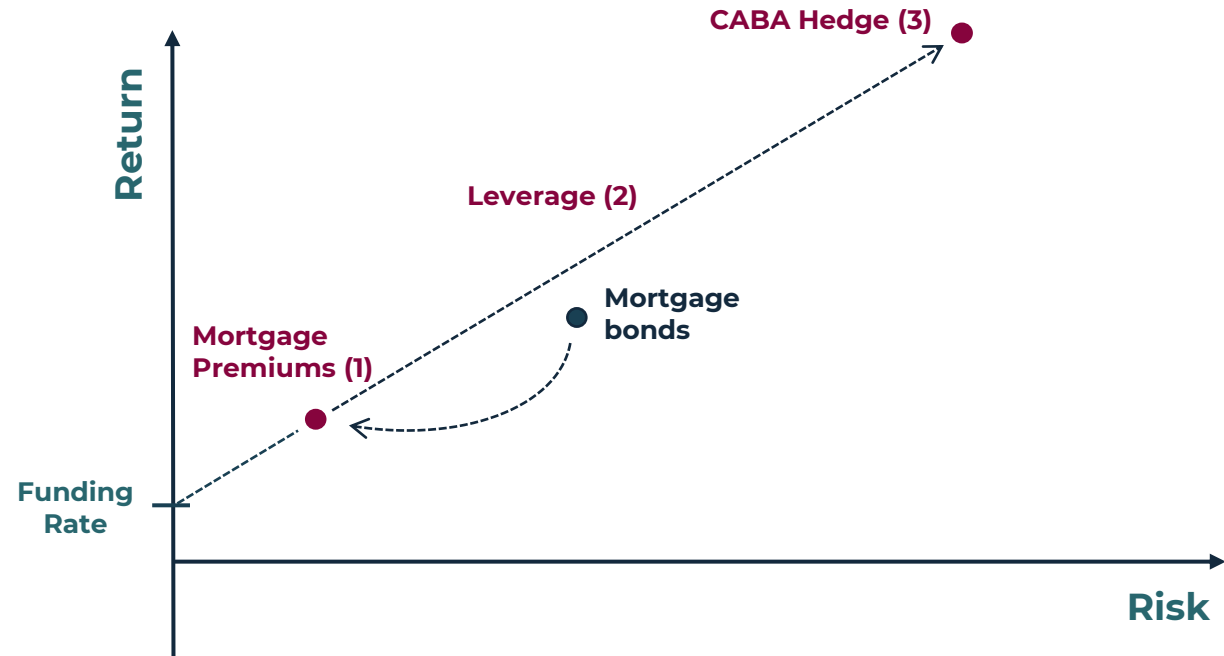
Betting against Beta

The strategy is well-grounded in academia. In 2014, Pedersen and Frazzini introduced the groundbreaking concept of "Betting against Beta" in a seminal paper published in the Journal of Financial Economics.

Their comprehensive empirical analysis, spanning across various asset classes, explicitly demonstrated that leveraging low-risk assets leads to superior risk-adjusted returns when compared to investing in high-risk, unleveraged assets.

Our strategy's cornerstone revolves around harnessing the potential of leveraging the low-risk AAA-rated spread premium, as depicted in the accompanying chart..

- (1) Isolate low-risk risk premiums
- +
- (2) Appropriate level of leverage
- =
- (3) Attractive expected return



Performance

YEAR	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	TOTAL
2023	1,22	4,01	-5,94	3,18	-4,75	1,97	3,09	2,59	0,75	-1,34	4,52	3,32	12,65
2022	-4,10	-5,20	3,53	-0,93	-3,95	0,11	-6,00	1,78	-9,88	5,93	3,65	5,14	-10,75
2021	0,28	-3,73	0,47	-1,56	-3,07	0,81	0,28	-2,63	-4,15	-1,05	-1,34	4,66	-10,78
2020	0,18	0,66	5,64	0,42	1,14	1,27	1,16	1,26	0,33	-0,55	-0,16	0,97	12,89
2019	-0,47	2,80	0,10	0,05	0,13	0,44	0,21	1,14	-1,77	0,53	-0,77	1,39	3,76
2018	0,49	-3,56	3,50	-0,56	-0,51	0,62	0,27	-0,08	1,43	-1,48	-0,97	1,00	0,00
2017							-0,15	0,70	2,67	-0,32	0,91	0,09	3,93

NAV (DKK)	109,16
AUM (DKK)	963 million
Management Fee	1.0%
Performance Fee	15%
High Water Mark	Yes
Issue cost (max)	1.0%
Redemption cost (max)	1.0%
AIFM	0.3%
Accumulating	Yes
Product group	COMPLEX
Risk Scale (1-7)	3
SFDR	Art. 6

Returns are net of all fees.

Past performance does not predict future returns.

ISIN: DK0060814523

Set Up

Legal structure	AIF (Kapitalforeningen Investin)
AIFM	Nykredit Portefølje Administration
ISIN	DK0060814523
Domicile	Denmark
Investment advisor	CABA Capital
Depository	The Bank of New York Mellon
Minimum investment	No minimum
AUM cap/max (approximately)	DKK 3 billion
Supervision	The Danish FSA
Publicly Listed	No
Liquidity	Weekly issue & redemption

Our funds

CABA
/HEDGE

CABA
/FLEX

AIFM / Audit

Nykredit
portefølje

EY

Depository / Custodian / Trade

SEB

BROWN
BROTHERS
HARRIMAN

BNY MELLON

Counterparts / Brokers

SOCIETE
GENERALE

Nordea

Danske Bank

Nykredit

SEB

Sydbank

JYSKE BANK

Auditors and compliance partners

Deloitte.

LUND
ELMER
SANDAGER
LAW FIRM

Signatory of:

PRI Principles for
Responsible
Investment

CABA Capital's owners and portfolio managers have personally invested in our funds.

Disclaimer

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Please [contact us](#) if you would like a presentation of the investment strategy.