May 2024

# CABA FLEX2

3-Year Investment Fund

Expected launch: May 2024

Expected liquidation: May 2027

Buy-and-hold strategy with 5Y Scandinavian AAA-bonds

Proven strategy and fully back-tested

No FX or Duration Risk

Daily liquidity (issuance and redemptions)

Expected return of 30-35% after fees over three years

# **Strategy:** *Scandinavian AAA-Rated Bonds*

- The strategy capitalizes on the yield spread (interest rate difference) between Scandinavian covered bonds and government bonds.
- The strategy is straightforward: Purchase AAA-rated covered bonds while simultaneously selling government bonds.
- The yield spread is enhanced through leverage thereby achieving a higher return on investment.
- The investment team has a substantial track record of implementing this strategy during their careers.

( **BUY 5-YEAR AAA-RATED COVERED BONDS** ÷ **SELL 5-YEAR GOVERNMENT BONDS** ) **X** **15 TIMES** **=** **EXPECTED RETURN OF 30-35% OVER THREE YEARS**

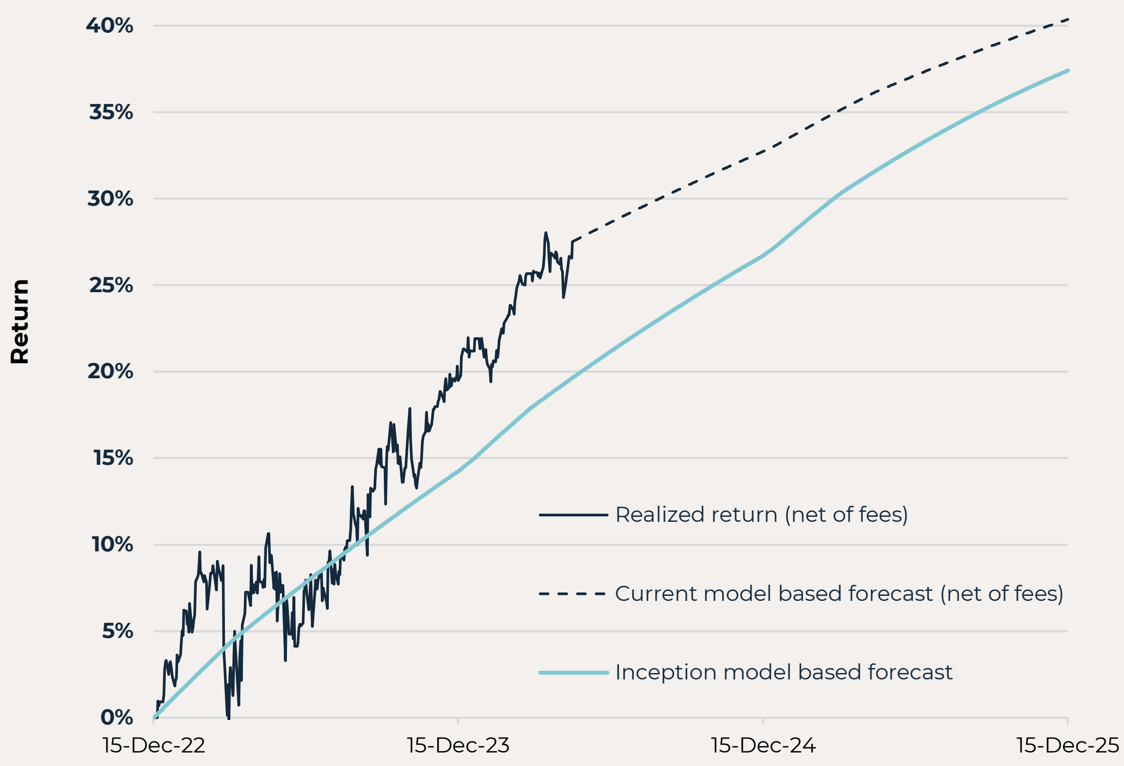
**HOLD FOR 3 YEARS**

# CABA Flex

*Replica*

The first CABA Flex was launched on December 15, 2022, and is set to expire in December 2025.

**CABA Flex** (2022-2025)

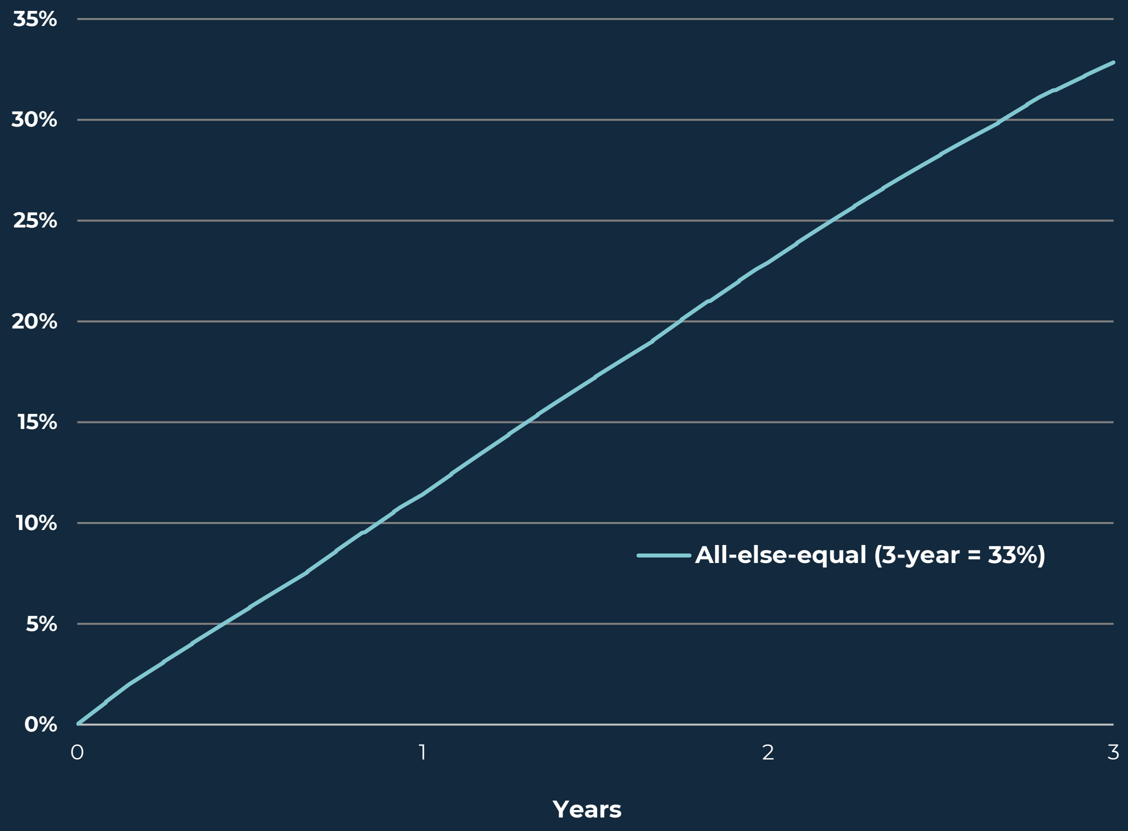



*ISIN: DK0061814068 - Past performance does not predict future returns.*

# CABA Flex2

The new fund, CABA Flex2, will follow the same investment strategy and is set to launch in May 2024.

**CABA Flex2** (2024 – 2027)



# **Extreme Resilience:** *Spread Buffer*

The strategy possesses a robust buffer to withstand spread widenings. As time progresses, the spread risk in the underlying bonds will decrease, and the equity level will expectedly increase, leading to a significant increase in the already high buffer.

**Historical Spread and Profit-Area**

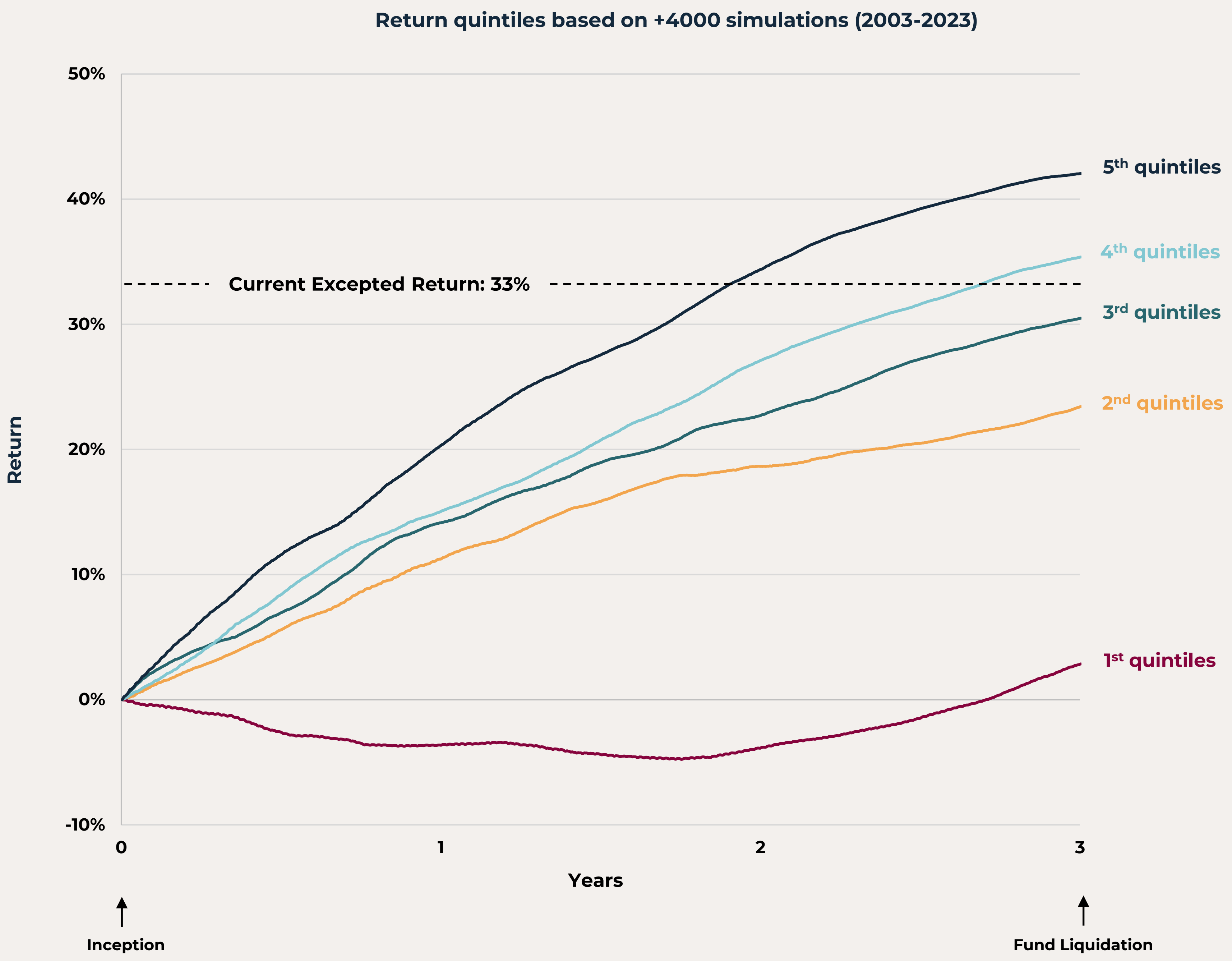

*Source: Nordea, CABA Capital*

# **Back-test:**

## *Return Quintiles*

Throughout the funds' life span, the bonds are getting closer to maturity, gradually decreasing the risk level. As a result, there is a high degree of certainty regarding the accumulated return paths, compared to e.g., equities. After the three-year term, the fund is liquidated, and investors receive their capital.

Each quintile represent 20% of the total population of returns in the back-test. The back-test has been conducted with 20 years of data (2003-2023).

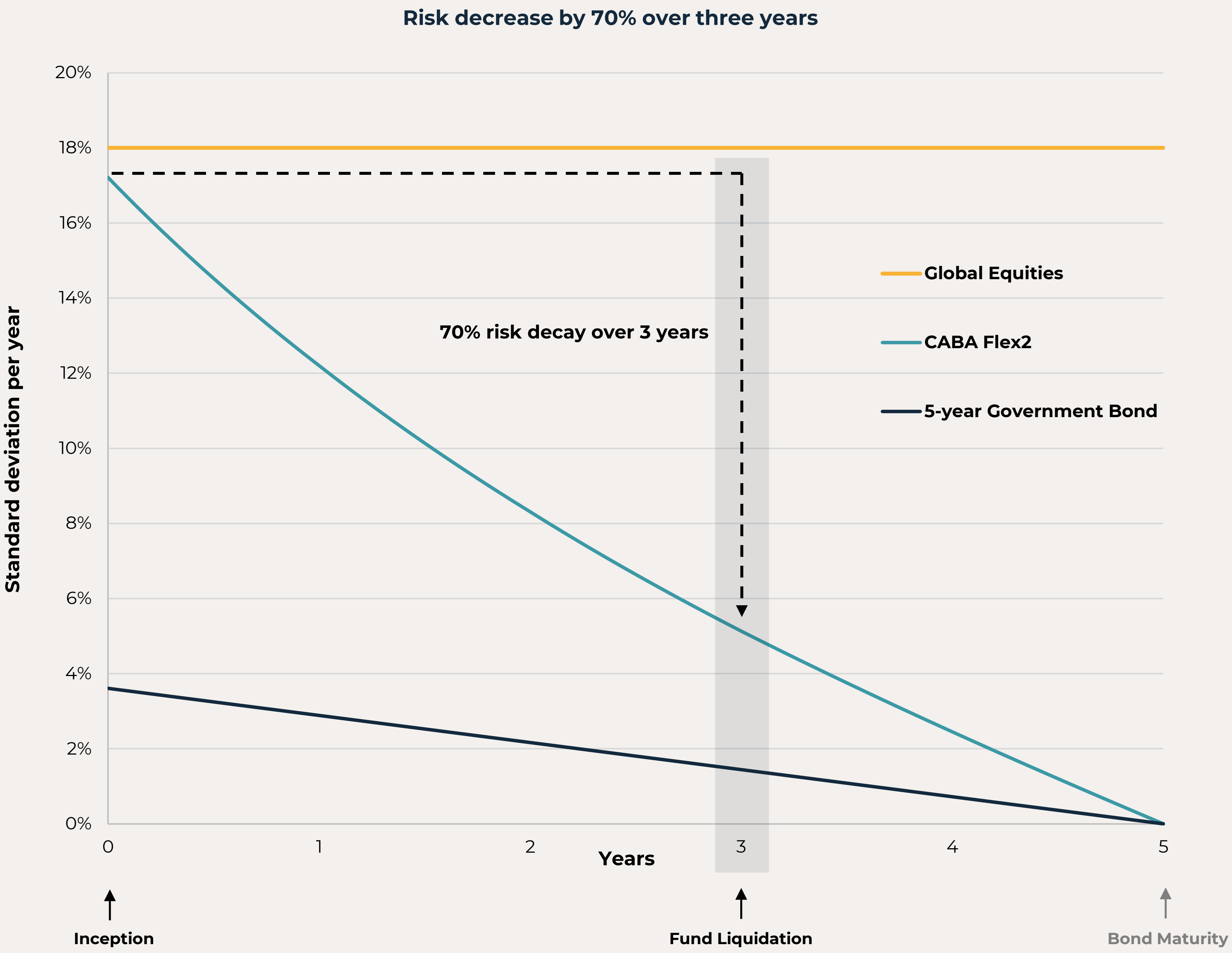


# Risk Decrease:

*70% over 3 years*

While the bonds have a duration of five years, our investment strategy yields the highest returns within the initial three-year period. Similar to ordinary bonds, our strategy demonstrates a diminishing risk profile.

Over the course of the fund's lifespan, the bonds steadily approach maturity, resulting in a gradual reduction of risk. Initially, the risk is marginally lower than that associated with global equities, yet it progressively decreases, allowing you to increase your share of risky assets without incurring greater overall portfolio risk.



# **Risk Factors:** *Unconventional*

- ***The strategy's main risk factor is widening of the yield spread.***
- ***During the fund's life span, spread changes will cause price volatility, and when the fund matures, the spread on the underlying 2-year bonds will affect the price.***
- ***Spreads are driven by unconventional risk factors, such as regulatory treatment of bonds, well-functioning funding markets, etc.***

| Main risk factors | Bonds | CABA Flex2 | Equities |
| --- | --- | --- | --- |
| Higher interest rates | X | | X |
| Corporate bond defaults | X | | X |
| Global recession | | | X |
| Deglobalization / wars | | | X |
| Full scale monetary tightening | X | X | X |
| Financial crisis / risk-off | | X | X |
| Regulatory treatment of bonds | X | X | |
| Functioning funding markets | | X | |

**Primary Spread Drivers**

- Theoretical default risk (AAA / No defaults in 200 years)
- Different regulatory treatment of government and covered bonds
- General risk perception across financial markets
- Higher supply of covered bonds vs. government bonds

# CABA Flex2: *Share Classes in EUR, DKK & SEK*

| | |
|---|---|
| **Name** | CABA Flex2 |
| **Legal structure** | AIF |
| **AIF under** | RAIF |
| **AIFM** | iSEC ManCo |
| **Domicile** | Luxembourg |
| **Investment advisor** | CABA Capital |
| **Depositary** | CACEIS |
| **Minimum investment** | EUR 100.000 |
| **Supervision** | CSSF (Lux FSA) |
| **Benchmark** | No |
| **SFDR** | Probably Art. 6 |

| | |
|---|---|
| **Expected Launch** | May 2024 |
| **Expected Liquidation** | May 2027 |
| **Publicly Listed** | No |
| **Liquidity** | Daily issue & redemption |
| **Accumulating** | Yes |
| **Management fee** | 1.0% |
| **Performance fee** | 15% |
| **Hurdle Rate** | 3.0% |
| **High Water Mark** | Yes |
| **Issue cost (max)** | 1.5% |
| **Redemption cost (max)*** | 1.5% |

**Applies only for redemptions carried out before liquidation.*

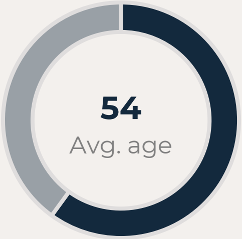
# CABA Capital

| | |
|---|---|
| **Name** | FMS CABA Capital A/S |
| **Est.** | 2016 |
| **Domicile** | Denmark |
| **CVR no.** | 38 10 25 75 |
| **License** | Investment Firm |
| **Supervision** | Danish FSA (Finanstilsynet) |
| **FSA ID** | 8327 |
| **Auditors** | Deloitte |
| **Owners** | CEO, CIO, and Chairman |
| **Funds** | CABA Hedge, CABA Flex |
| **Total AUM** | App. EUR 200 mil. |

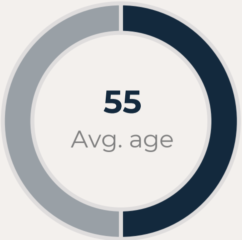
# CABA Capital

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 EUR 200 million and caters exclusively to professional investors. CABA Capital's owners and portfolio managers are themselves directly invested in our funds. CABA Capital is a licensed investment firm under supervision of the Danish Financial Supervisory Authority.

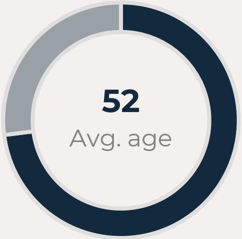
**Board**




**Management**




**Team**




Female ◣ Male ◣

## 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.

### Carsten Bach

Chief Investment Officer

cb@cabacapital.dk

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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.

### Kristian Myrup Pedersen

Fixed Income Quant

kmp@cabacapital.dk

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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 bonds.

### Jørgen Ole Jørgensen

Senior Hedge Fund Manager

jojo@cabacapital.dk

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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.

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INVESTMENT FIRM