Investor letter February 2023

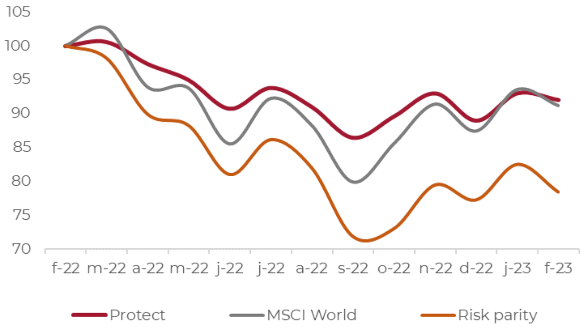
PROTECT

Crescit Protect uses equity derivatives to expose investors to equity returns over an economic cycle. The goal is to create MSCI World-like returns with lower volatility. Currently, the fund has an allocation of 100%. Current protection level is 105 and the fund is currently trading at 117.28.

The monthly return was -1.07 % in February, compared to benchmark over the same period, MSCI World index, return of -2.5 %. A steady relative performance during most trading days of the month ended with a 1.5 percentage points overall outperformance. The development of equity markets offered a mixed bag, whilst MSCI world, led by S&P 500, was down Europe, led by EuroStoxx50, was up.

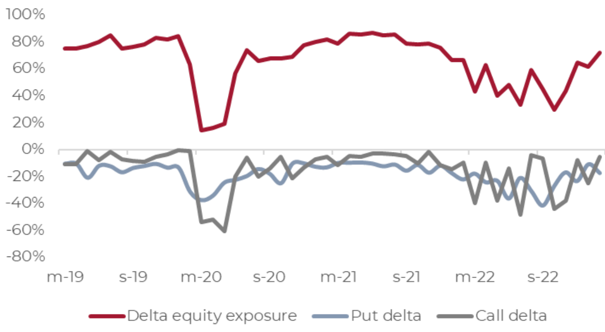
Graph 1 shows rolling one year performance of Protect, MSCI-world Index and a risk parity portfolio allocating between bonds and equities based on volatility constraints. It has been a challenging year not only for equities but also for safe-guarding portfolios (the return pattern is the same in 60/40 equities bonds portfolios). The put floor in Protect provides a constant hedge factor which has worked very well during the period.

Graph 1



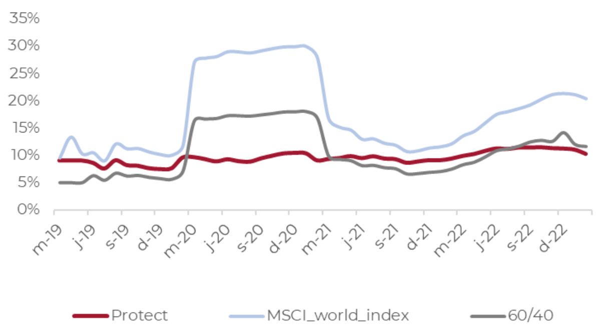
The delta profile throughout the month has increased somewhat as shown in **Graph 2**. Maturing in the money sold calls were replaced by new otm calls, shifting the delta of the call book from -25% to -6%. At the same time the fall in S&P500 moved the long puts closer to average strikes and delta changed from -11% in Jan to -17% by the end of February. Average distance to put strikes varies from 24-10% from current spot levels.

Graph 2



In the last monthly letter, we showed the historical return patterns of Protect compared to index, this month we focus on realized volatility patterns. **Graph 3** below plots realized volatility of equities, a portfolio of equities and bonds as well as of Protect. Whilst some variation can be detected in Protect the swings in volatility is fairly consistent, as per design. Equities as well as bonds materialize a distinctly higher risk profile, and the historically so fruitful correlation between equities and bonds has not worked to the investors advantage in recent history. The benefit of a firm (absolute) hedge on the actual underlying exposure is evident when comparing Protect with assumption-based proxy hedging in other portfolios.

Graph 3



Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019				1,5%	-4,9%	4,3%	1,0%	-3,0%	1,1%	0,2%	2,5%	2,6%	5,2%
2020	-1,5%	-4,8%	1,6%	0,8%	1,0%	0,6%	2,6%	5,0%	-2,5%	-3,0%	7,8%	2,6%	10,1%
2021	-0,1%	2,7%	2,5%	3,2%	0,6%	1,0%	1,6%	2,2%	-3,3%	3,8%	-0,6%	3,3%	17,9%
2022	-4,4%	-2,3%	0,6%	-3,2%	-2,5%	-4,5%	3,4%	-3,0%	-5,0%	3,7%	3,8%	-4,4%	-17,0%
2023	4,6%	-1,1%											3,5%