

- Credit spreads sold off heavily in market rout in December
- The iTraxx European Performance Credit Index fell by 1.29%
- The estimated 12m yield of the Tabula European Performance Credit UCITS ETF is 5.46% (Dec 31, 2018)

Regulatory risk warning: Investment strategies may not succeed, and an investor may receive back less than their original investment. Targets may not be achieved. Adverse market conditions may limit the ETF's ability to dispose of assets and limit liquidity. Past performance is not a reliable indicator of future performance.

## Market overview

December saw the biggest sell-off in equities in the U.S. since the great depression and Europe saw the worst year for risk assets since the great financial crises 2008. The general risk off sentiment also sent risk premia in the credit space up.

European investment grade credit, reflected by iTraxx Main, widened by 7bps (~8%) while European High Yield, reflected by iTraxx Crossover, widened by 25bps (8%).

## Spreads on major indices

	31 Dec	30 Nov	MoM change
iTraxx Main 5y	87.37	80.85	↑
iTraxx Crossover 5y	352.70	327.91	↑
CDX North Am IG 5y	87.75	74.96	↑
CDX North Am HY 5y	449.15	392.65	↑

Data: Bloomberg, 31 December 2018

## Tabula European Performance Credit UCITS ETF

The iTraxx European Performance Credit Index, the reference index for the Tabula European Performance Credit UCITS ETF (TCEP), was down 1.29% in December.

Widening credit spreads were the key driver of this negative performance. The index has exposure to iTraxx Main and iTraxx Crossover and, by selling protection on both indices, it is effectively long credit. As a result, it will suffer when risk increases, and spreads widen. Spreads on both iTraxx Main and iTraxx Crossover widened in December, leading to a negative performance contribution of 142bps. This was partly offset by positive carry.

### What happened 2018?

European equities represented by MSCI Europe turned into bear market territory losing over 10% while spreads in EUR IG nearly doubled from 44.8 at the beginning of the year. Xover widened by 51% closing the year on levels last seen in 2016 after having digested the second credit event in an on-the-run series in the past ten years.

For iTraxx Performance Credit Index this resulted in a volatile sideways market oscillating in a corridor of ~5%. Total returns only turned red due to the steep sell off in Nov. and Dec. ending the year with a loss of 3.59% overall. Looking into 2019 spread widening has increased the 12m estimated yield.

## Performance

	1m	YTD	1y	Since TECP launch <sup>1</sup>
Fund	n/a	n/a	n/a	n/a
Index	-1.29%	-3.59%	-3.59%	-2.77%

Data: Bloomberg / IHS Markit, 31 December 2018. Index performance prior 30<sup>th</sup> April 2018 is simulated by IHS Markit. Past performance (actual or simulated) is not a reliable indicator of future returns. <sup>1</sup>21 August 2018

## TCEP Yield drivers<sup>2</sup>

	Dec	Nov
Spread	4.31%	3.92%
Roll	1.93%	2.14%
Cash	-0.67%	-0.69%
Transaction costs	-0.10%	-0.10%
<b>Total 12m estimated yield</b>	<b>5.46%</b>	<b>5.27%</b>

Data: Tabula, 31 Dec 2018. <sup>2</sup>Estimated TCEP yield is calculated by ageing and repricing the fund portfolio and assuming that spread curves remain constant and excludes fees. The calculation involves a number of other assumptions and approximations. The estimated yield is not a guarantee of future returns, which will vary based on market changes.

## Important information

This document is issued by Cheyne Capital Management (UK) LLP (“Cheyne Capital”) authorised and regulated by the Financial Conduct Authority (“FCA”), a limited liability partnership registered in England and Wales (Registered no. OC321484) Registered address: Stornoway House, 13 Cleveland Row, London, SW1A 1DH, United Kingdom. Tabula Investment Management Limited (“Tabula IM”) is an Appointed Representative of Cheyne Capital. Tabula IM is a private limited company registered in England and Wales (Registered no. 11286661). Registered address: Stornoway House, 13 Cleveland Row, London, SW1A 1DH, United Kingdom. The Tabula European Performance Credit UCITS ETF (EUR) (the “ICAV”) is an open-ended investment ICAV with variable capital having segregated liability between their funds organised under the laws of Ireland and authorised by the Central Bank of Ireland. This material is for distribution to Professional Clients (as defined by the FCA or MiFID Rules) and Qualified Investors only and should not be relied upon by any other persons. Tabula has not considered the suitability of this investment against your individual needs and risk tolerance. The data displayed provides summary information, any decision to invest must be based solely on the information contained in the ICAVs Prospectus, Key Investor Information Document and the latest half-yearly report and unaudited accounts and/or annual report and audited accounts, when available, free from your broker, financial adviser or Tabula Investment Management Limited. It is the responsibility of every person reading this document to satisfy himself as to the full observance of the laws of any relevant country, including obtaining any government or other consent which may be required or observing any other formality which needs to be observed in that country and which might be relevant to the subscription, purchase, holding, exchange, redemption or disposal of any investments. No provider of information presented here, including index and ratings information is liable for damages or losses of any type arising from use of their information nor breach of such legislation or for any losses relating to the accuracy, completeness or use of information in this communication, including consequential loss. No warranty of accuracy is given and no liability in respect of any error or omission is accepted. For the avoidance of doubt the ICAV is not currently registered for sale. No sale will be made in any jurisdiction in which the offer, solicitation, or sale is not authorised or to any person to whom it is unlawful to make the offer, solicitation or sale. This document does not constitute an offer to sell or solicitation of an offer to buy interests in any product and may not be used to make such an offer. The information contained in this document, especially as regards portfolio construction/parameter-type information, reflects the current thinking of Tabula IM and may be changed or modified in response to its perception of changing market conditions, or otherwise, without further notice to you. Accordingly, the information herein, in respect of investment products and services, should be considered indicative of Tabula IM current opinion and should not be relied on in making any investment decisions. This document is not, and under no circumstances is to be construed as an advertisement or any other step in furtherance of a public offering of shares in the United States or Canada. This document is not aimed at persons who are resident in the United States, Canada or any province or territory thereof, where the ICAV/securities are not authorised or registered for distribution and where no prospectus has been filed with any securities commission or regulatory authority. The ICAV/securities may not be acquired or owned by, or acquired with the assets of, an ERISA Plan. Investment in the products mentioned in this document may not be suitable for all investors. Past performance is not a guide to future performance and should not be the sole factor of consideration when selecting a product. The price of the investments may go up or down and the investor may not get back the amount invested. Your income is not fixed and may fluctuate. The value of investments involving exposure to foreign currencies can be affected by exchange rate movements. We remind you that the levels and bases of, and reliefs from, taxation can change. In respect of the products mentioned this document is intended for information purposes only and does not constitute investment advice or an offer to sell or a solicitation of an offer to buy the securities described within.

Benchmark source: the iTraxx European Performance Credit Index referenced herein is the property of Markit Indices Limited and is used under license.

© 2019 Tabula Investment Management Limited.