



## Press Release

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### **TABULA LAUNCHES SHORT EUROPEAN HIGH YIELD ETF FOR HEDGING CREDIT EXPOSURE**

- **New European Credit UCITS ETF offers liquid instrument to hedge exposure to the iTraxx Crossover CDS Index consisting of 75 sub-investment grade names**
- **Can be used to hedge existing positions or create outright short exposure**
- **Minimal interest rate risk**
- **The ETF gives investors the ability to buy protection against widening spreads – it creates a short position also known as an inverse position.**
- **For the avoidance of doubt it is not a tool for shortening or reducing interest rate duration**

European fixed income ETF provider Tabula Investment Management Limited (“Tabula”) has launched the Tabula European iTraxx Crossover Credit Short UCITS ETF (“TECS”) offering a passive vehicle as a way to short European sub-investment grade corporate credit while taking on only limited interest rate risk. The fund is a directly replicating UCITS ETF giving the ability to buy protection on high yield credits through Credit Default Swap (CDS) positions in the European iTraxx Crossover index.

CDS indices offer a high degree of liquidity with over \$80 billion of daily turnover and European Crossover alone attracting around \$1.8 billion of trading. As a result, unlike traditional high yield bond funds which have to manage the risk of illiquidity in individual bond holdings, trading CDS index exposure concentrates positions in one highly liquid contract that tends to attract increased turnover in volatile markets. Furthermore, the innovative structure of the ETF allows everybody to trade CDS



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indices without having an ISDA and manage collateral or margin requirements while eliminating counterparty risk due to central clearing.

“Investors often need a liquid tool in order to hedge their exposure to high yield spreads. Derivative positions are highly efficient but not available to many investors. The TECS is a fund which delivers access to this very liquid market in a fully funded, UCITS compliant product which can be traded OTC or on-exchange”, comments Tabula CEO Michael John Lytle.

“We strongly believe in making CDS indices more accessible. They were previously only available to a small group of specialised institutional investors. We are making them available in a transparent UCITS ETF, which extends the tool kit for fixed income investors to efficiently manoeuvre in difficult market environments”, explains Lytle.

“TECS offers a fund with a short position in European Crossover, a monthly reset, relatively stable position sizes and stable duration exposure. It is a much easier and cheaper way to create a high yield short position than borrowing an ETF, selling it into the market, paying a lending fee and then unwinding the transaction later in order to close the position,” says Lytle.

The fund introduces a unique approach for short/inverse ETFs aimed specifically at institutional investors. In contrast to most of the inverse products in the market which reset daily, the position notional to NAV is rebalanced monthly, thereby reducing the path dependency particularly in volatile markets. This allows for a more stable hedge ratio when used in combination with a long bond position.

“Focusing on target notional of a strategy rather than the daily leverage makes this a solution better suited to tactical positioning rather than day-trading. It therefore matches the needs of the typical institutional investor more closely.”, adds Lytle.



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The Tabula European iTraxx Crossover Credit Short UCITS ETF tracks the eponymous iTraxx index which has historical data going back for over 10 years.

This ETF is the latest addition to the range of fixed income ETFs offered by Tabula. “We’re a specialised fixed income ETF provider, the team has many years’ experience and we are focused on creating better passive products,” comments Lytle.

Tabula plans to further expand its offering, from investment grade and high yield credit to inflation, credit volatility, money markets and broader market exposure.

“Investors are more than ever looking for ways to tactically position themselves in volatile market environments like the one we observed in late Q4 2018. But selling a portfolio of high yield bonds to go into cash is often not the preferred option. The latest Tabula ETF is a welcome new option broadening the toolkit for investors.”, says Tabula CEO.

### About the ETF

<b>Index</b>	iTraxx European Crossover Credit Short Index (Bloomberg Ticker: ITRXXOVS Index)
<b>Replication method</b>	Direct
<b>Exchange</b>	London Stock Exchange
<b>ISIN</b>	IE006H05CB83
<b>Bloomberg ticker</b>	TECS LN
<b>Income treatment</b>	Accumulating
<b>Base/trading currency</b>	EUR
<b>Ongoing charge</b>	0.50%
<b>Investment manager</b>	Cheyne Capital Management (UK) LLP
<b>Domicile</b>	Ireland



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**Registered countries** Ireland, Austria, Denmark, Sweden, Finland, United-Kingdom, Netherlands, France, Italy, Germany and Norway

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### **About the index**

The ETF tracks the iTraxx European Crossover Credit Short Index (ITRXXOVS Index), a new index developed by Tabula in partnership with IHS Markit. It offers a short position in European crossover credit exposure. The index takes exposure to the iTraxx Crossover 5 yr (sub-investment grade) index. The index reflects the return from buying protection on the current series of the CDS index. It takes total market exposure targeting 100% of iTraxx Crossover. The index is rebalanced monthly and is calculated by IHS Markit. A detailed methodology is available at [TabulaIM.com](http://TabulaIM.com).

**-Ends-**

### **Notes to editors:**

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### **Tabula Investment Management Limited**

Tabula is an asset manager focused on passive fixed income. It is based in London and offers Irish domiciled UCITS funds to European investors, mainly in the form of ETFs. Tabula recognises that the trend toward passive investing, which has transformed equity investing in the past two decades, has only just begun in fixed income.