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Press Release

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TABULA LAUNCHES GLOBAL CREDIT VOLATILITY PREMIUM ETF

- **The Tabula J.P. Morgan Global Credit Volatility Premium Index UCITS ETF seeks to capture the volatility premium embedded in index options on the iTraxx Crossover and CDX HY**
- **Tabula's fund is the first ETF to deliver access to credit volatility risk premia**
- **The risk premia in credit volatility has historically exceeded that seen in equity volatility**
- **The strategy's objective is to neutralise market exposure to spread movements through a daily hedging approach**
- **The Index has shown low to negative correlation with traditional equity and fixed income indices classes while exhibiting high risk-adjusted returns**

European fixed income ETF provider Tabula Investment Management Limited ("Tabula") has launched the Tabula J.P. Morgan Global Credit Volatility Premium Index UCITS ETF, offering a passive vehicle for capturing the difference between realised and implied volatility in Credit Default Swap (CDS) index options markets.

The ETF replicates the returns of the J.P. Morgan Global Credit Volatility Premium Index which sells options on the iTraxx Crossover (75 European names) and CDX HY indices (100 North American names) while hedging out the exposure to credit spreads on a daily basis. The resulting strategy offers performance driven by the difference between implied and realised credit spread volatility. Historically, the CDS index options market predicts volatility that is higher than the actual level of volatility realised in the reference indices.

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CDS index options are a large and liquid market with approximately $27 billion of daily turnover. However, while there are a wide variety of credit option buyers, there are a limited number of sellers of credit options as they have experienced relatively high barriers to entry. This imbalance helps to drive the historical difference between implied and realised volatility to be higher than the equivalent premium available in the equity market[1].

By selling CDS index options and regularly hedging the market exposure of the options with the underlying CDS indices (“delta hedging”), the strategy seeks to capture this premium while aiming to minimise market risk. The ETF makes this otherwise difficult to access premium in CDS index options available to investors in a liquid, passive instrument, without requiring an ISDA or the management of collateral or margin requirements. The ETF replicates the Index via total return swap while investing residual cash in short dated government bonds.

“Investors are very keen to find new sources of return that are structural and have limited correlation to other market index investments”, comments Tabula CEO Michael John Lytle, “We are very glad to be able to work with J.P. Morgan on harnessing this risk premium and delivering it to our clients.”

This ETF is the latest addition to the range of fixed income ETFs offered by Tabula and the first in alternative risk premia. Tabula plans to further expand its offering to inflation, money markets and broader market exposure.

Danny White, Head of Credit Index Structuring at J.P. Morgan said: “Investors are seeking easier ways of accessing the volatility premium available in CDS index options. While it’s a long established market, barriers to entry have meant that the pricing of these options has historically been inefficient relative to options in other

[1] Source: J.P. Morgan, 2019, based on 10-year volatility risk premia in iTraxx Crossover and CDX HY vs. the EuroStoxx 50 and S&P 500 indices respectively.

asset classes. Today's launch should allow investors without significant execution and operational infrastructure access to this type of strategy."

The Index uses CDS index and CDS index options pricing from IHS Markit. Gavan Nolan, Director of Fixed Income Pricing at IHS Markit said: "As a leading provider of CDS pricing data with long-standing expertise across financial markets, we are pleased to extend the reach of our best-in-class service to support the launch of this innovative ETF. This segment of the credit derivative market is growing rapidly, and our multi-source, independent pricing for CDS index options will help ensure the transparency of the Index's performance."

About the ETF

Index	J.P. Morgan Global Credit Volatility Premium Index (Bloomberg Ticker: JCREVOLP Index)
Replication method	Indirect
Exchange	London Stock Exchange
ISIN	IE00BHPGG813
Bloomberg ticker	TVOL LN
Income treatment	Accumulating
Base/trading currency	EUR
Ongoing charge	0.50%
Investment manager	Cheyne Capital Management (UK) LLP
Domicile	Ireland
Registered countries	Austria, Denmark, Finland, France, Germany, Italy, Netherlands, Norway, Sweden, United Kingdom

About the index

The ETF seeks to achieve the performance of the J.P. Morgan Global Credit Volatility Premium Index (JCREVOLP Index), a new Index developed by J.P. Morgan. It offers short exposure to volatility in North American and European high yield index CDS markets. The Index reflects the return from synthetically selling option strangles on iTraxx Crossover and CDX HY indices and delta hedging any outstanding options on a daily basis. The Index uses CDS index and CDS index options pricing from IHS Markit. More information is available on the Index at www.jpmorganindices.com

-Ends-

Notes to editors:

For further information please contact Danae Quek at Citigate Dewe Rogerson on 0207 282 1079 or email her Danae.Quek@citigatedewerogerson.com

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.