

Market overview

December delivered the 'Santa rally' in both equities and credit that many investors had hoped for, with the market's bullish sentiment fueled by progress in two geopolitical issues which dominated the news throughout 2019. There was relief in US-China tensions with the announcement of a phase one trade deal, and clarity that the UK could activate a period of transition out of the EU following the decisive outcome to the UK election.

Spreads on major indices (bps)

	31 Dec	29 Nov	MoM change
iTraxx Main 5y	44.2	47.7	↓
iTraxx Crossover 5y	207.3	220.8	↓
CDX North Am IG 5y	45.3	50.0	↓
CDX North Am HY 5y	280.5	325.4	↓

Data: Tabula/Bloomberg, 31 December 2019

Credit spreads tightened in both European investment grade and high yield to near historic lows. The on-the-run (OTR) iTraxx Main Index tightened 3bps while the iTraxx Crossover Index ended the month 13bps tighter, ending the year on a decisively bullish note.

Tabula Long Crossover ETF reaches one year mark

The Tabula European iTraxx Crossover Credit UCITS ETF delivered a positive net return of 5.36% for the first full 12 month period ending 11 December 2019. Positive performance was due to positive mark-to-market as a result of tightening European HY spreads, roll return and spread income. The first performance year ended with near historic low credit spread levels in European High Yield. The fund remains the most efficient ETF in the market to take a long iTraxx Crossover position which benefits from the roll-down return available in the credit curve. This can be efficiently harvested due to low trading costs imbedded in the iTraxx European Crossover Long Credit Index (ITRXXOVL Index – yearly transaction costs at 7cts).

Performance contribution (12 months to 11 December 2019)

Spread income	2.50%
Spread curve move	2.52%
Roll income	1.28%
Cash	-0.54%
1y gross return	5.76%
Management fee	-0.40%
1y net return	5.36%

Fund tracking difference (12 months to 11 December 2019)

Net tracking difference	-35.6bps
Gross tracking difference	4.4bps
Cumulative TER	40.0bps

Performance (12 months to 11 December 2019)

Tabula European iTraxx Crossover Credit	5.36%
iTraxx European Crossover Long Credit Index	5.72%
iTraxx Crossover 5 Year Total Return Index	5.44%

Data: Tabula, 11 December 2019. Fund inception 11 December 2018.
Regulatory risk warning: Past performance is not a guarantee of future returns.

Additional Tabula funds listed on Xetra

Tabula has further strengthened its offering in continental Europe through listing the Tabula European Performance Credit UCITS ETF (Xetra: TABD), Tabula European iTraxx Crossover Credit UCITS ETF (Xetra: TABH) and Tabula European iTraxx Crossover Credit Short UCITS ETF (Xetra: TAB1) on Xetra.

BNP Paribas becomes market maker for Tabula fund range

BNP Paribas has become a market maker for all of Tabula's ETFs. This will further improve the bid-ask spread and overall liquidity for investors. BNP Paribas has a global ETF market making operation with sales teams around the world sharing information and trading desks working closely together to support clients using ETFs. This, and its strong investment in technology and infrastructure, means it can provide liquidity at the best price across asset classes.

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 up 0.9% in December.

	1m	YTD	1y	Since TCEP launch ¹
Fund (after fees)	0.9%	11.9%	11.9%	8.6%
Index	0.9%	12.3%	12.3%	9.2%

The Index sells protection on the iTraxx Main and iTraxx Crossover, making it effectively long credit. As a result, it will benefit when spreads tighten. Spread change made a performance contribution of approximately 78bp. The estimated one-year yield for TCEP now stands at 2.98% (gross).

Data: Tabula / IHS Markit, 31 December 2019. Performance prior to 30 April 2018 is simulated by IHS Markit. **Past performance (actual or simulated) is not a reliable indicator of future returns.** ¹21 August 2018

Tabula European iTraxx Crossover Credit UCITS ETF

The iTraxx Crossover Long Credit Index, the reference index for the Tabula iTraxx Crossover Credit UCITS ETF (TECC), was up 0.8% in December.

	1m	YTD	1y	Since TECC launch ²
Fund (after fees)	0.7%	6.4%	6.4%	6.1%
Index	0.7%	6.7%	6.7%	6.5%

The Index sells protection on the iTraxx Crossover, making it effectively long credit. Spread change made a performance contribution of approximately 63bp. The sensitivity to movements of the underlying credit spreads is measured in credit duration (DV01). The current DV01 of 4.6 means an approximate 4.6bp increase in the NAV per 1bp of spread tightening and vice versa for spread widening. The estimated one-year yield for TECC now stands at 1.89% (gross).

Data: Tabula / IHS Markit, 31 December 2019. Performance prior to 30 April 2018 is simulated by IHS Markit. **Past performance (actual or simulated) is not a reliable indicator of future returns.** ²11 December 2018.

Tabula European iTraxx Crossover Credit Short UCITS ETF

The iTraxx Crossover Short Credit Index, the reference index for the Tabula European iTraxx Crossover Credit Short UCITS ETF (TECS), was down 1.1% in December.

	1m	YTD	1y	Since TECS launch ³
Fund (after fees)	n/a	n/a	n/a	n/a
Index	-1.1%	-9.1%	-9.1%	-7.0%

The Index buys protection on the iTraxx Crossover, making it effectively short credit. Spread change made a performance contribution of approximately -82bp. The sensitivity to movements of the underlying credit spreads is measured in credit duration (DV01). The current DV01 of -6.1 means an approximate 6.1bp increase in the NAV for per 1bp of spread widening and vice versa for spread tightening. The estimated one-year yield for TECS now stands at -4.88% (gross).

Data: Tabula / IHS Markit, 31 December 2019. Performance prior to 30 April 2018 is simulated by IHS Markit. **Past performance (actual or simulated) is not a reliable indicator of future returns.** ³8 February 2019. Fund performance is not available until a year after launch.

Tabula J.P. Morgan Global Credit Volatility Premium Index UCITS ETF

The J.P. Morgan Global Credit Volatility Premium Index (JCREVOLP), the reference index for the Tabula J.P. Morgan Global Credit Volatility Premium Index UCITS ETF (TVOL), rose 0.1% in December, mainly driven by a compression in implied volatility.

	1m	YTD	1y	Since TVOL launch ⁴
Fund (after fees)	n/a	n/a	n/a	n/a
Index	0.1%	-1.6%	-1.6%	-1.3%

The JCREVOLP Index provides short exposure to volatility in North American and European High Yield CDS markets by tracking the return of two credit volatility indices, rebalanced to an equal weighting monthly. To minimise market exposure, each credit volatility index sells and simultaneously delta hedges option strangles on the relevant CDS indices: iTraxx Crossover 5y and CDX HY 5y.

Data: Tabula / IHS Markit, 31 December 2019. **Past performance (actual or simulated) is not a reliable indicator of future returns.** ⁴28 March 2019. Fund performance is not available until a year after launch.

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