

## Market overview

Concerns around the global coronavirus outbreak drove a widespread market sell off in February, with many markets recording their worst week since the recent global financial crisis.

The on-the-run iTraxx Main Index moved c.18bps wider while iTraxx Crossover ended the month 72bps wider.

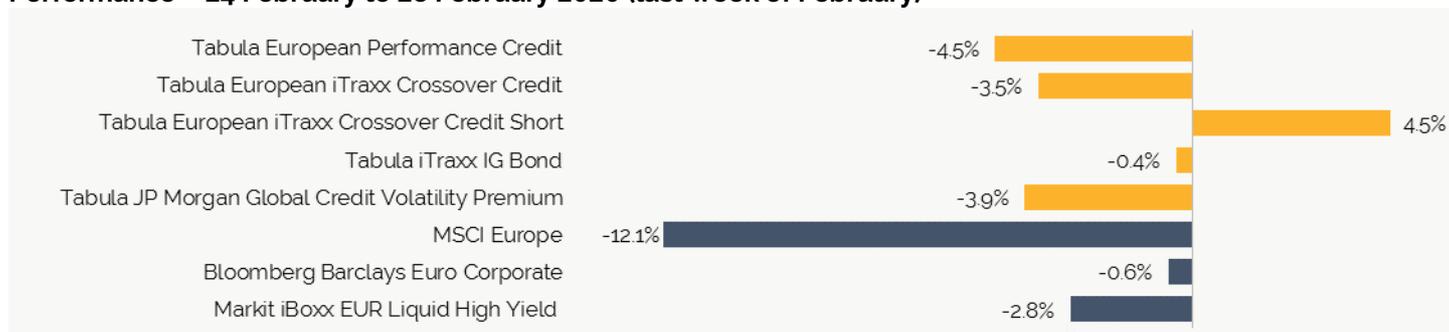
### Spreads on major indices (bps)

	29 Feb 2020	31 Jan 2020	MoM change
iTraxx Main 5y	64	46	18bps wider
iTraxx Crossover 5y	303	231	72bps wider
CDX North America IG 5y	67	50	16bps wider
CDX North America HY 5y	372	305	67bps wider

Data: Tabula/Bloomberg, 28 February 2020

## Volatility creates opportunities

### Performance – 24 February to 28 February 2020 (last week of February)



Source: Tabula, Bloomberg as at 28 February 2020. Performance for Tabula iTraxx IG Bond and Tabula JP Morgan Global Credit Volatility Premium represents underlying Index performance. For full fund names and disclaimers please refer to page two. **Past performance is not a reliable indicator of future returns.**

The Tabula European iTraxx Crossover Credit Short ETF returned +4.5% in the last week of February, as the iTraxx European Crossover Long Credit Index recorded a 3.5% loss, providing a successful hedge for some investors to the volatility seen at month-end.

The Tabula iTraxx IG Bond UCITS ETF (TTRX) declined less than its peers during the significant sell off in iTraxx Europe, despite European rates rallying and the credit curve flattening. Both of these factors should have meant outperformance by longer duration broad European Bond ETFs such as IEAC (iShares Core € Bond ETF). However, index construction and stock selection, combined with relative underweight exposure to financials, led TTRX to outperform by approximately 24bps net of fees and expenses (21 February to 29 February 2020).

As credit spreads widened in the last week of the month, the J.P. Morgan Global Credit Volatility Premium Index (JCREVOLP) recorded a 3.9% loss. Spreads are now meaningfully wider than the option strikes by the JCREVOLP Index prior to the sell-off. This means that the strategy should retain relatively little negative convexity if spreads continue to widen. In addition, implied volatilities rose substantially over the last week of February. The strategy can be expected to perform well in a stressed market environment which sees sustained spread widening and higher implied volatilities. Therefore, a continuation of the current spread widening is likely to be advantageous for the strategy over the medium term.

## Jason Smith joins Tabula as CIO

Tabula has appointed Jason Smith as Chief Investment Officer in a newly created role to further capitalise on increasing demand for fixed income ETFs. Jason has responsibility for designing and building a range of new funds. For more information click [here](#).

## Tabula European Performance Credit UCITS ETF

The Tabula European Performance Credit UCITS ETF (TCEP) fell 3.8% in February. TCEP aims to track the iTraxx European Performance Credit Index (ITRXPFL), less fees and expenses.

	1m	YTD	1y	Since TCEP launch <sup>1</sup>
Fund (after fees)	-3.8%	-4.5%	1.1%	3.7%
Index	-3.7%	-4.4%	1.4%	4.3%

The Index sells protection on the iTraxx Main and iTraxx Crossover, making it effectively long credit and the spread widening environment drove negative performance in January. The estimated one-year yield for TCEP is 4.4% (gross) while the one-year gross yield for the GBP-hedged share class (TCEG) is 5.5%.

Data: Tabula / IHS Markit, 28 February 2020. Performance prior to 30 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

## Tabula European iTraxx Crossover Credit UCITS ETF

The Tabula iTraxx Crossover Credit UCITS ETF (TECC) fell 2.9% in February. TECC aims to track the iTraxx European Crossover Long Credit Index (ITRXXOVL Index), less fees and expenses.

	1m	YTD	1y	Since TECC launch <sup>2</sup>
Fund (after fees)	-2.9%	-3.9%	-1.5%	2.0%
Index	-2.9%	-3.8%	-1.2%	2.4%

The Index sells protection on the iTraxx Crossover, making it effectively long credit. The current DV01 of 4.3bps predicts an approximate 4.3bps 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 3.5% (gross).

Data: Tabula / IHS Markit, 28 February 2020. Performance prior to 30 April 2018 is simulated by IHS Markit. **Past performance (actual or simulated) is not a reliable indicator of future returns.** <sup>2</sup>11 December 2018.

## Tabula European iTraxx Crossover Credit Short UCITS ETF

The Tabula European iTraxx Crossover Credit Short UCITS ETF (TECS) was up 3.6% in February. TECS aims to track the iTraxx European Crossover Credit Short Index (ITRXXOVS), less fees and expenses.

	1m	YTD	1y	Since TECS launch <sup>3</sup>
Fund (after fees)	3.6%	4.6%	-0.6%	-3.1%
Index	3.6%	4.7%	-0.2%	-2.6%

The Index buys protection on the iTraxx Crossover, making it effectively short credit. The current DV01 of -5.1bps predicts an approximate 5.1bps increase in the NAV per 1bp of spread widening and vice versa for spread tightening. The estimated one-year yield for TECS was -5.6% (gross) at month end.

Data: Tabula / IHS Markit, 28 February 2020. Performance prior to 30 April 2018 is simulated by IHS Markit. **Past performance (actual or simulated) is not a reliable indicator of future returns.** <sup>3</sup>8 February 2019.

## Tabula iTraxx IG Bond UCITS ETF

The iBoxx iTraxx Europe Bond Index, the reference index for the Tabula iTraxx IG Bond UCITS ETF (TTRX), fell 0.4% in February.

	1m	YTD	1y	Since TTRX launch <sup>4</sup>
Fund (after fees)	n/a	n/a	n/a	n/a
Index	-0.4%	0.6%	3.7%	0.2%

The Index aims to provide corporate bond exposure that closely reflects iTraxx Europe, a liquid and widely-used credit benchmark comprising 125 European investment grade entities. The fund's current yield to maturity is 0.22%.

Data: Tabula / IHS Markit, 28 February 2020. Performance prior to 12 December 2019 is simulated by IHS Markit. **Past performance (actual or simulated) is not a reliable indicator of future returns.** <sup>4</sup>6 January 2020. 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), fell 3.3% in February, as volatility spiked at month end.

	1m	YTD	1y	Since TVOL launch <sup>5</sup>
Fund (after fees)	n/a	n/a	n/a	n/a
Index	-3.3%	-3.8%	-5.7%	-5.0%

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, 28 February 2019. **Past performance (actual or simulated) is not a reliable indicator of future returns.** <sup>5</sup>28 March 2019. Fund performance is not available until a year after launch.

## About Tabula

Tabula is an ETF provider focused on passive fixed income. Tabula 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.

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