

May 2024

Tabula Haitong Asia ex-Japan High Yield Corp USD Bond ESG UCITS ETF

Monthly review and outlook

Investment Manager comment

The Tabula Haitong Asia ex-Japan High Yield Corp USD Bond ESG UCITS ETF (TAHY) was flat in April, returning -0.18%. High yield bonds in the region modestly lagged equities as the MSCI AC Asia Pacific ex Japan Index recorded a 0.33% gain in the month.

At the April month end rebalance, three issuers were added to the index having been downgraded to high yield. The newly fallen angels are VLL International (parent: Vista Land), Ease Trade Global (Poly Property) and Westwood Group (parent: Yuexiu Property), each a special purpose entity established by their parent companies for the purpose of issuing debt.

Market sentiment in China has improved significantly since mid-April, with the Hang Seng Index having surged 12.2% since 19 April. The Index has now rebounded 22.3% from its mid-January lows, while the Hang Seng China Enterprise Index has gained 28.7% from its prior bottom. Meanwhile, the Hang Seng Properties Index is up 15.5% since 19 April. TAHY is now up 7.8% year to date, outperforming all other emerging and developed market high yield sectors. The real estate sector has contributed more than half of the year-to-date return. On the technical side, buying power into Asian/Chinese High Yield is strong, with both real money and private banking clients chasing benchmark high yield names, especially in the property sector.

Overall outlook

Beating forecasts with GDP growth of 5.3% in the first quarter, the Chinese economy appears to be on track to fulfill the state's growth target of 5% for 2024. With market and IMF expectations pointing towards policy stimulus to drive further growth, the Politburo of the Communist Party reaffirmed on 30 April that the country will step up support for the economy with 'prudent monetary and proactive fiscal policies, including interest rates and bank reserve ratios'.

Alongside these indicated steps, an official of the People's Bank of China (PBOC) was quoted on 23 April saying that the central bank's buying and selling of treasury bonds in the secondary market could be used for liquidity management and as a monetary policy tool. With China's treasury bond market being the third-largest in the world, the official said that China's long-term treasury bond yields would move 'within a reasonable range' in line with expected economic growth.

The country's manufacturing activity further expanded in April with a purchasing manager's index (PMI) of 50.4, albeit meeting less demand for manufactured goods from overseas.

Following the announced removal of home-buying curbs in the city of Chengdu in Southwest China markets signaled positive sentiment for Chinese property developers on 29 April. With Chengdu having joined a growing list of cities including Suzhou and Nanjing, expectations are heightened to see a similar gradual ease in buying restriction in Tier-1 cities like Beijing and Shanghai.

With elections having kicked off in India markets are hoping for policy continuity with expectations widely being that the Modi administration is to win a strong mandate for a third term in office. India's equity benchmark the Nifty 50 Index has risen 3% this year after a 20% increase in 2023, marking its eighth straight year of gains.

According to the India Composite PMI compiled by S&P of 62.2 in April, India's business activity expanded at its fastest pace in nearly 14 years thanks to robust demand, reported easing input inflation and positive jobs growth. India appears well on track to remain the fastest growing major economy of the year.

Indonesia's manufacturing sector received a boost in attention with the visit of Apple's Tim Cook in mid-April, expressing the company's interest to explore manufacturing opportunities within the country and praise for the investment ability. The country's reported PMI was 52.9 in April, marking the 32nd consecutive month of growth (i.e. above 50.0).

In the Philippines, the government adjusted the target growth rate for 2024 to 6-7%, down from 6.5-7.5%. It raised its budget deficit ceilings for 2024-28 to allow for greater flexibility in funding infrastructure programs and battling the negative effects of inflation and an anticipated slowdown in the global economy.

Fund facts

Inception date	02 September 2021
Index	iBoxx MSCI ESG USD Asia ex-Japan High Yield Capped Index
Index provider	S&P Global (IHS Markit)
Index ticker	IBXXUJXT Index
Investment manager	Haitong International Asset Management (HK) Ltd
EU SFDR	Article 8
Share classes	TAHY USD Acc. TAEH EUR-Hedged Dist. TAGH GBP-Hedged Acc. TAGD GBP-Hedged Dist.
ISIN	TAHY IE000LZC9NM0 TAEH IE000DOZYQJ7 TAGH IE000GETKIK8 TAGD IE000XIITCN5
Ongoing charge	TAHY 0.60% TAEH 0.65% TAGH 0.65% TAGD 0.65%
Domicile	Ireland
Administrator	HSBC Securities Services (Ireland) DAC
Custodian	HSBC Continental Europe, Dublin Branch
UK distributor status	Yes
ISA & SIPP eligible	Yes
Registered countries	AT, CH, DE, DK, ES, FI, FR, IT, IE, NL, NO, PT, SE, UK, LU

ETF performance contribution

Sector	Weight	Apr 24	Since inception (16 September 2021)
Basic Materials	7.01%	0.03%	1.17%
Consumer Goods	1.89%	0.00%	0.05%
Consumer Services	4.09%	-0.10%	1.77%
Core Financials	19.55%	-0.05%	0.66%
Energy	5.90%	0.02%	0.55%
Financial Services	10.41%	0.11%	1.79%
Industrials	10.22%	-0.10%	0.73%
Real Estate	28.92%	0.32%	-35.53%
Telecommunications	2.65%	0.00%	0.27%
Utilities	9.36%	-0.09%	1.19%

ETF composition

Country	Weight	Rating	Weight
China	44.84%	BB	67.06%
India	19.59%	B	26.34%
Hong Kong	12.91%	CCC	6.17%
Indonesia	11.28%	CC	0.43%
Thailand	4.44%		
Macao	2.95%		
Philippines	2.33%		
Vietnam	1.65%		

Largest holdings (issuer level)

Sector	Country	Rating	Weight
Basic Materials	India	CCC	3.10%
Real Estate	China	B	3.06%
Real Estate	China	BB	3.05%
Industrials	China	BB	3.04%
Real Estate	Hong Kong	BB	3.04%

Key metrics

Fund size	US\$102.1m
Fund yield	14.6%
Duration	2.58yrs
# bonds	113
# issuers	62

Notes: For information on the risks to the Sub-Fund, please see the supplement for the Sub-Fund and the prospectus of Tabula ICAV, available on the product pages of tabulaim.com Data: Tabula, Haitong International and Bloomberg, as at 30 April 2024. Contribution data is based on Bloomberg data. Duration represents OAD.

About Tabula

Tabula Investment Management offers a growing range of differentiated UCITS ETFs.

About Haitong International

Haitong Securities, headquartered in Shanghai, is one of the oldest financial services firms in China, with a total market capitalisation over US\$16 billion. Haitong International Asset Management, based in Hong Kong, manages -US\$5 billion AuM across a range of funds, with a strong focus on fixed income and ESG. Haitong currently holds an MSCI ESG rating of "A", the highest among Chinese investment banks.

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