

April 2024

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

Monthly review and outlook

Index rebalance

At the March month end rebalance, two issuers were added to the index and four were removed. Vanke Real Estate (Hong Kong) was added as a fallen angel, having been recently downgraded to high yield. Meanwhile, Adani Green Energy returned to the index following its new issuance. Shui On Land Limited, Bank of Communications, ACEN Corporation and China Jinmao Holdings Group Limited were all removed from the portfolio on the basis that the issuers have no eligible bonds with maturity greater than one year.

Market update & outlook

The Tabula Haitong Asia ex-Japan High Yield Corp USD Bond ESG UCITS ETF gained 1.25% in March. High yield bonds in the region trailed equities as the MSCI AC Asia Pacific ex Japan Index recorded a 2.29% gain in the month.

China's economic revival shows signs of gaining momentum. Overseas shipments rose 7.1% for the January-February period versus the prior year, offering early positive signals for recovering global demand. The strong start to the year for exports helped fuel market confidence that the country's economy will meet the official economic growth target of 5% in 2024.

Chinese factory activity was measured at its most robust in 13 months, according to data released in March by the National Bureau of Statistics which showed a purchasing managers' index (PMI) of 51.1, up from 50.9 in February. Meanwhile, the PMI for the non-manufacturing sector came in at 53 in March, up from 51.4 in February. The sub-indices for the services sector also increased while the construction sector PMI jumped to 56.2 in March from 53.5 in February.

China's middle-income population has passed the 500 million mark in March 2024, according to state-owned media, bolstering hopes of increasing domestic consumption and a larger overall economic transition to becoming a 'high mass consumption' driven economy. This was in line with recent announcement by Sheng Qiuping, China's Vice-Minister of Commerce, that the government would launch a series of measures to boost consumption by encouraging consumers to renovate their homes and upgrade their household appliances, furnishings and cars. With consumption having been the primary growth driver in 2023, accounting for 82% of last year's rise in GDP, the country's disposable income per capita has increased by 6.1% year-on-year, according to the National Bureau of Statistics.

Further cuts in bank's reserve requirements are under consideration according to Pan Gongsheng, governor of the People's Bank of China (PBOC). Alongside a pledge to utilise monetary policy to "mildly" prop up consumer prices, the potential cuts follow a recent cut of 50 basis points at the start of February, which provided 1 trillion yuan in long-term capital and exceeded analysts' expectations.

The National People's Congress concluded on 11 March with a key action plan announced for China to invest in a fresh round of large-scale equipment upgrades to help support continuous economic growth this year. Initial estimates by the National Development and Reform Commission suggest that equipment upgrades could create an enormous market, with an annual scale of more than 5 trillion yuan (about 704.19 billion U.S. dollars).

The Chinese 'white list' mechanism, launched in late January and designed to stabilise financially distressed Chinese housing developers, had seen more than 200 billion yuan of approved loans at the end of February. These loans provided support to about 6,000 real estate projects according to the Ministry of Housing and Urban-Rural Renewal. Meanwhile its Minister Ni Hong indicated at a press conference on 9 March that firms, which "harm the interests of the masses", would be punished in accordance with the law and go bankrupt if necessary.

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	IBXXUXJT 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	Mar 24	Since inception (16 September 2021)
Basic Materials	6.81%	0.02%	1.14%
Consumer Goods	1.82%	0.01%	0.05%
Consumer Services	4.21%	0.04%	1.85%
Core Financials	19.57%	0.23%	0.71%
Energy	5.78%	-0.05%	0.54%
Financial Services	10.55%	0.04%	1.70%
Industrials	10.15%	0.17%	0.81%
Real Estate	27.31%	-0.71%	-35.79%
Telecommunications	4.38%	0.05%	0.26%
Utilities	9.42%	0.05%	1.27%

ETF composition

	Country	Weight	Rating	Weight
ISIN	China	43.38%	BB	75.46%
	India	21.52%	B	20.23%
	Hong Kong	12.88%	CCC	3.93%
	Indonesia	10.94%	CC	0.38%
	Thailand	4.60%		
	Macao	3.07%		
	Philippines	2.01%		
	Vietnam	1.61%		

Largest holdings (issuer level)

	Sector	Country	Rating	Weight
Longfor Group Holdings Ltd	Real Estate	China	BB	3.09%
Studio City Finance Ltd	Consumer Services	Macao	B	3.07%
Fortune Star BVI Ltd	Industrials	China	BB	3.06%
NWD Finance BVI Ltd	Real Estate	Hong Kong	BB	3.05%
GLP Pte Ltd	Real Estate	China	B	3.04%

Key metrics

Fund size	US\$104.8m
Fund yield	13.8%
Duration	2.60yrs
# bonds	111
# issuers	59

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 31 March 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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