

Credit Market Overview

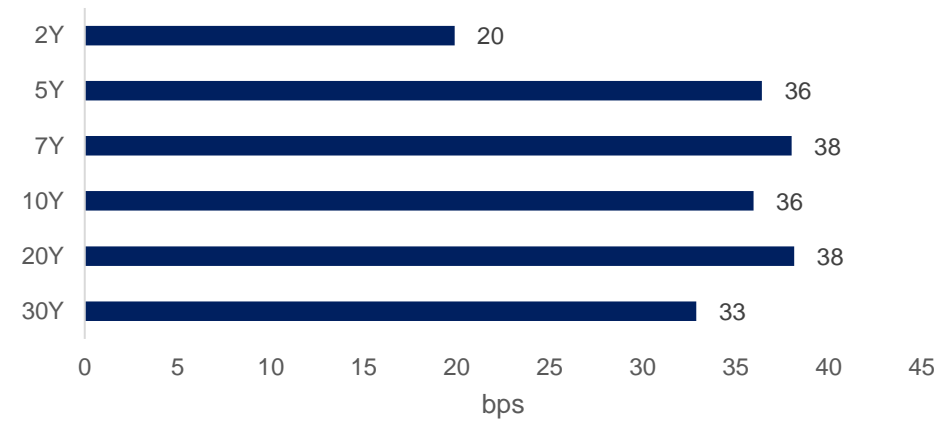


As at 31 January 2023

Measure	Level	1 Month	3 Month	6 Month	12 Month
Cash Spread/Yield Changes					
Global IG Corp YTW (%)	4.73	-0.45	-0.84	0.84	2.47
Global IG Spread (bps)	133	-14	-49	-28	25
Global HY YTW (%)	8.63	-0.78	-1.40	0.10	3.00
Global HY Spread (bps)	498	-47	-97	-100	76
CDS Index Spread Changes					
CDX IG	71	-11	-19	-9	11
CDX HY	430	-54	-91	-41	91
CDX EM	222	-17	-74	-105	10
iTraxx Main	79	-11	-35	-21	20
iTraxx Xover	414	-60	-140	-95	169
Sub Fin CDS	88	-11	-35	-21	21
Cash Index Performance (%)					
Global IG Corp Index		3.48	7.32	-1.20	-8.71
Global HY Index		3.86	8.34	4.27	-5.50
Global EM USD Index		3.20	10.98	3.36	-10.18
Higher Beta Sub Sector Performance (%)					
Banks AT1		3.96	4.85	-1.02	-3.30
Energy HY		3.31	4.06	3.44	0.07
EUR Corp Hybrids		3.19	5.55	0.56	-10.86
Leveraged Loans		3.02	5.20	5.08	2.23
IG Sub Sectors Performance (%)					
Banks Senior		2.07	3.52	-2.43	-6.63
Energy IG		4.53	9.37	0.11	-8.16
Auto		2.57	5.73	0.28	-6.08
Utility		4.55	10.40	-1.45	-11.53
Communications		5.20	10.65	-1.67	-11.93
Airline		2.56	5.25	1.54	-5.34
Retail		3.61	8.74	-2.55	-10.40
Currency (Hedged) Performance (%)					
Bloomberg USD Corp		4.01	8.91	-0.87	-9.33
Bloomberg GBP Corp		4.06	6.56	-5.42	-13.16
Bloomberg Euro Corp		2.22	3.23	-4.32	-10.55
Maturity Bucket Performance (%)					
Short (1-3 Yr)		0.97	2.44	0.13	-1.73
Intermediate (5-10 Yr)		3.13	6.29	-2.49	-8.32
Long		6.90	15.27	-1.79	-15.75
Global IG Corp Index Attribution (%)					
Carry		0.43	1.39	1.95	2.26
Duration		2.19	2.95	-5.00	-9.17
Spread		0.86	2.97	1.86	-1.79
Performance		3.48	7.32	-1.20	-8.71

- January represented an exceptionally strong start to 2023 for global fixed income markets. Benchmark government yields, most notably medium and longer dated maturities rallied between 30 and 40bps over the month. Long dated corporate bonds outperformed as a result with the USD and GBP curves the standout performers.

MoM tightening of UST Benchmark yields



Source: Bloomberg as at 30/01/23

- In Credit, iTraxx Xover tightened by 60bps to +416bps, US HY cash spreads moved below +500bps and the Bank AT1 sector posted a near 4% gain in the month. Per the chart below the iTraxx Xover index has now retraced over half of the spread widening seen in 2022.



Source: Bloomberg as at 31/01/23

- Growing expectations of lower inflation coupled with a benign economic outcome led much of the positive sentiment. However, January inflation data in several countries have come in higher than expected, demonstrating the difficulty of calling time on rising inflation.

	Inflation Indicator	Actual	Expected	Higher/lower (bps)
Australia	Dec 2022 CPI YoY	8.40%	7.70%	0.70
Tokyo	Jan. Core Consumer prices	4.30%	4.20%	0.10
New Zealand	Dec 2022 CPI YoY	7.20%	7.10%	0.10
Spain	Jan 2023 prelim CPI YoY	5.80%	5.00%	0.80
Brazil	1st half Jan 2023 IPCA-15 YoY	5.87%	5.83%	0.04
Mexico	1st half Jan 2023 YoY	7.94%	7.86%	0.08

Source: Bloomberg/Reuters as at 30/01/23

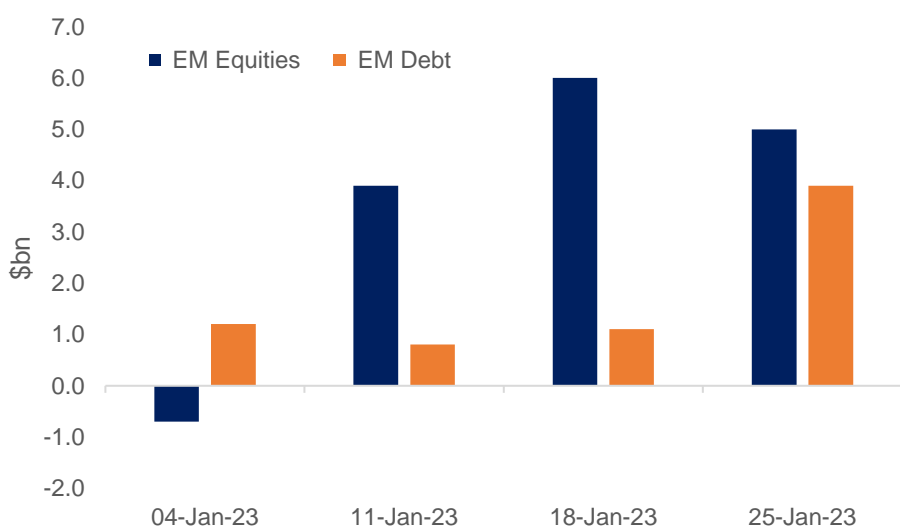
Financials

- European financials issuance is on track to post the highest January total for the past 5 years at over €82bn. Banks have been quick to issue bank capital in various formats to refinance upcoming debt and reduce reliance on the European TLTRO scheme which is being pared back by the ECB.
- Meanwhile in the US, regional banks have issued \$14bn of debt in January, ahead of the total raised by large US Money Centre Banks. Regional Banks are partly trying to mitigate the impact of slowing deposit growth due to customers switching to higher yielding alternatives (e.g. money market and certificates of deposit)
- Q4 results for the US Banks were largely positive, boosted by FICC trading divisions and higher NIMs which offset lower deal fees from M&A and capital markets activity. The European Bank earnings season kicked off with a handful of names reporting in January and overall, the results were better than expected. So much so, that issuers like Unicredit and Sabadell saw their share prices jump 9-10% on the day of their earnings.
- Call notices were sent out for Tier 2 and At1 bonds for HSBC, Societe Générale and Westpac. The HSBC 6.25% bond had traded in the high 80s during the volatile months of November but quickly traded up to par as credit markets rallied. The T2 bonds from Soc Gen and Westpac had relatively low resets, therefore surprised some areas of the market when they were called.

Emerging Markets

- In January, there were inflows into Emerging markets after nearly a year of outflows with money flowing into both Debt and Equity EM Funds.
- The weaker Dollar, China re-opening and high levels of carry have increased confidence for the buy-side to re-allocate to the sector.

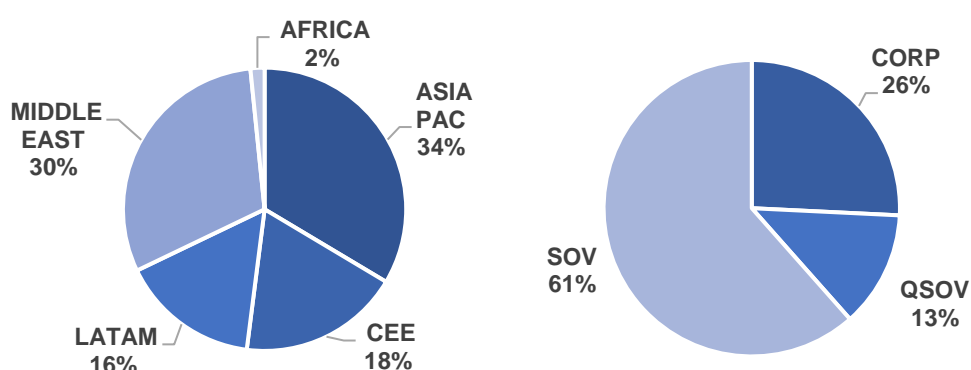
YTD inflows into Emerging Markets assets



Source: Reuters / Refinitiv Lipper

- Issuance remains more muted vs IG/HY/Financials but is significantly higher than 2022. There appears to be more demand for EM Sovereign debt which is reflected in the flows into sovereign bond ETFs

EM issuance trends by Geography and Type



Source: Bloomberg

Investment Grade

- Investment grade issuance has been strong with many new issues pricing with minimal or zero investor concessions vs the secondary market.
- Telefonica issued a corporate hybrid with zero concessions, playing into the increased demand from hybrid investors on account of several recent bond calls/tenders from the likes of Telefonica itself, EDF and Enel.
- The positivity around hybrids has permeated into more rate sensitive sectors such as Real Estate, which saw its first senior bond issued in Europe since August – Prologis the mega cap warehouse specialist.
- In the US, it is a similar story with investors clamouring for duration risk and prepared to accept very low concessions. For example, Proctor & Gamble (AA- rated) brought a new \$ 3 year bond at +23 over the UST, just 8bps off the all time 3y record of +15.

High Yield/Leveraged Loans

- The US High Yield market is set to generate its best January performance since 2019 with month to date gains of 3.65% helped by a 5.9% return for CCCs, the best January return since 2003.
- Some of the optimism has been reflected in the performance of equity of distressed debt issuers like Carvana whose stock has risen nearly a 100% YTD.
- Issuers with large capital structures have been quick to refinance their debt and term out maturities to reduce near term refinancing risk. Issuance has been robust with nearly \$20bn printing just in January.

Highlighted US HY issuers in January 2023

Issuer	Amount issued (\$bn)	Rating
Transocean	1.18	B
Transocean Titan	0.53	B
Mauser Packaging	2.75	B
Caesars Entertainment	2.00	B
DISH	1.50	B
Ford Motor Credit	2.45	BB+
Venture Global	1.00	BB
Bombardier	0.75	B

Source: Bloomberg as at 31/01/23

- Related markets such as European High Yield, Leveraged Loans and CLOs have also enjoyed a strong January. Lev loan issuance crossed \$6.0bn including a \$1.2bn LBO. The European HY market has seen a lagged effect where inflows gathered steam towards the end of the month, helping demand for the primary market.
- The risk-on environment has also allowed banks to shed some of the hung loans on their balance sheets including \$100m of the debt backing the buyout of Nielsen Holdings.
- Following a difficult year for credit, ratings agencies have upped their default forecasts for the Global HY and leveraged finance sector. E.g., Moody's forecast that the default rate will rise from 2.8% at the end of 2022 to 5.1% by the end of 2023, under the baseline scenario of Moody's Credit Transition Model, as slower macroeconomic growth and weaker financing conditions will erode corporate earnings and cash flow. This compares to an average of 4.1% between 1983 and 2002
- Meanwhile, Fitch forecasts that this year's high-yield default rate will increase to 3%-3.5%. The ratings agency cited macroeconomic factors, including sluggish GDP growth and its prediction of a U.S. recession starting midyear. Last year, the default rate was 1.3%.

Measure	Index Description
Global IG Corp YTW (%)	Bloomberg Barclays Global Agg Corporate YTW
Global IG Spread (bps)	Bloomberg Barclays Global Agg Corporate OAS
Global HY YTW (%)	Bloomberg Barclays Global High Yield Corporate YTW
Global HY Spread (bps)	Bloomberg Barclays Global High Yield Corporate OAS
CDX IG	MARKIT CDX.NA.IG.35 12/25
CDX HY	MARKIT CDX.NA.HY.35 12/25
CDX EM	MARKIT CDX.EM.34 12/25
iTraxx Main	MARKIT ITRX EUROPE 12/25
iTraxx Xover	MARKIT ITRX EUR XOVER 12/25*
Sub Fin CDS	MARKIT ITRX EUR SUB FIN 12/25
Global IG Corp Index	Bloomberg Barclays Global Agg Corporate Index
Global HY Index	Bloomberg Barclays Global High Yield Corporate Index
Global EM USD Index	Bloomberg Barclays EM USD Aggregate Index
Banks AT1	Bloomberg Barclays European Banks Coco Tier 1 TR Index
Energy HY	Bloomberg Barclays High Yield Energy TR Index
EUR Corp Hybrids	Bloomberg Barclays Corp Ex Financial Hybrid Capital Securities 8% Capped
Leveraged Loans	S&P/LSTA US Leveraged Loan 100 Index
Banks Sen	Bloomberg Barclays Banking Senior TR Index
Energy IG	Bloomberg Barclays IG Energy TR Index
Auto	Bloomberg Barclays IG Auto TR Index
Utility	Bloomberg Barclays IG Utility TR Index
Comms	Bloomberg Barclays IG Communications TR Index
Airline	Bloomberg Barclays IG Airline TR Index
Retail	Bloomberg Barclays IG Retail TR Index
iBoxx USD Corp	Bloomberg USD Corporate TR Index
iBoxx GBP Corp	Bloomberg Sterling Corporate TR Index
iBoxx Euro Corp	Bloomberg Euro Agg Corporate TR Index
Short (1-3 Yr)	Bloomberg Barclays US 1-3 Year Credit Index
Intermediate (5-10 Yr)	Bloomberg Barclays US 5-10 Year Credit Index
Long	Bloomberg Barclays Long US Corporate Bond Index

*Source: Bloomberg

— — —

Rubrics Global UCITS Funds Plc is a variable capital umbrella investment company with segregated liability between sub-funds; incorporated with limited liability in Ireland under the Companies Acts 2014 with registration number 426263; and authorised by the Central Bank of Ireland pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011, as amended). This document is for information only and does not constitute an offer or solicitation to deal, whether directly or indirectly, in any particular fund. Nothing in this document should be taken as an expressed or implied indication, representation, warranty or guarantee of performance whether in respect of income or capital growth. No warranty or representation is given as to the accuracy or completeness of this document and no liability is accepted for any errors or omissions that the document may contain. The Key Investor Information Documents (“KIIDs”) and prospectus (including supplements) for Rubrics Global UCITS Funds Plc are available at www.rubricsam.com. The management company of Rubrics Global UCITS Funds Plc is Carne Global Fund Managers (Ireland) Limited (the “Management Company”). The Management Company is a private limited company, incorporated in Ireland on 16 August, 2013 under registration number 377914. The investment manager of Rubrics Global UCITS Funds Plc is Rubrics Asset Management (Ireland) Limited (the “Investment Manager”). The Investment Manager is a private company registered in Ireland (reference number:613956) and regulated by the Central Bank of Ireland in the conduct of financial services (reference number:C173854). Details about the extent of its authorisation and regulation is available on request. Rubrics Asset Management (UK) Limited is an appointed representative of Laven Advisors LLP, which is authorised and regulated by the Financial Conduct Authority of the United Kingdom (Reference number: 447282). Laven Advisors LLP is not authorised to promote products to retail clients, all communications originating from either Laven Advisors LLP or Rubrics Asset Management (UK) Limited is therefore intended for professionals and eligible counterparties only. Data Source: © 2021 Morningstar. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. www.morningstar.co.uk.

For South African investors: In the Republic of South Africa this fund is registered with the Financial Sector Conduct Authority and may be distributed to members of the public. In addition to the other information and warnings in this document, the Financial Sector Conduct Authority of South Africa requires us to tell South African recipients of this document that collective investment schemes are generally medium to long-term investments, collective investment schemes are traded at ruling prices and can engage in borrowing and scrip lending and that a schedule of fees and charges and maximum commissions is available on request from the manager. Because foreign securities are included in the investments within this collective investment scheme, we are also required to disclose to you that there may be additional risks that arise because of events in different jurisdictions: these may include, but are not limited to potential constraints on liquidity and the repatriation of funds; macroeconomic risks; political risks; foreign exchange risks; tax risks; settlement risks and potential limitations on the availability of market information.

Additional Information for Switzerland: The prospectus and the Key Investor Information Documents for Switzerland, the articles of association, the annual and semi-annual report in French, and further information can be obtained free of charge from the representative in Switzerland: Carnegie Fund Services S.A., 11, rue du Général-Dufour, CH-1204 Geneva, Switzerland, tel.: + 41 22 7051178, fax: + 41 22 7051179, web: www.carnegie-fund-services.ch. The Swiss paying agent is: Banque Cantonale de Genève, 17, quai de l’Île, CH-1204 Geneva. The last share prices can be found on www.fundinfo.com. For the shares of the Funds distributed to non-qualified investors in and from Switzerland and for the shares of the Funds distributed to qualified investors in Switzerland, the place of performance is Geneva. Carne Global Fund Managers (Ireland) Limited reserves the right to terminate the arrangements made for the marketing of this product in any EEA jurisdiction in accordance with the UCITS Directive.