

Credit Market Overview



As at 28 April 2023

Rubrics Credit Market Overview

April 2023

Measure	Level	1 Month	3 Month	6 Month	12 Month
Cash Spread/Yield Changes					
Global IG Corp YTW (%)	4.89	-0.07	0.16	-0.68	1.15
Global IG Spread (bps)	149	-4	16	-33	7
Global HY YTW (%)	9.22	0.03	0.59	-0.81	1.81
Global HY Spread (bps)	551	4	54	-43	77
CDS Index Spread Changes					
CDX IG	76	0	4	-15	-8
CDX HY	466	3	36	-55	5
CDX EM	238	8	16	-59	-47
iTraxx Main	83	-1	4	-31	-7
iTraxx Xover	435	-1	21	-120	189
Sub Fin CDS	187	3	32	-33	-10
Cash Index Performance (%)					
Global IG Corp Index		0.81	0.47	7.83	-0.01
Global HY Index		0.35	-0.58	7.70	0.42
Global EM USD Index		0.39	-0.63	10.28	0.06
Higher Beta Sub Sector Performance (%)					
Banks AT1		0.27	-12.62	-8.39	-13.04
Energy HY		0.97	1.48	5.61	4.72
EUR Corp Hybrids		0.31	-1.07	4.41	-4.47
Leveraged Loans		1.15	1.18	6.30	3.73
IG Sub Sectors Performance (%)					
Banks Senior		0.62	0.73	4.27	-1.14
Energy IG		0.89	0.28	9.68	1.57
Auto		0.52	0.88	6.67	1.78
Utility		1.00	0.26	10.68	0.09
Communications		0.32	0.12	10.78	0.01
Airline		0.81	1.46	6.78	1.75
Retail		0.65	0.68	9.47	0.12
Currency (Hedged) Performance (%)					
Bloomberg USD Corp		0.77	0.28	9.21	0.68
Bloomberg GBP Corp		0.28	-1.25	5.23	-7.99
Bloomberg Euro Corp		0.70	0.24	3.47	-4.28
Maturity Bucket Performance (%)					
Short (1-3 Yr)		0.51	0.87	3.34	1.57
Intermediate (5-10 Yr)		0.84	1.06	7.41	0.58
Long		0.75	-0.62	14.55	-1.15
Global IG Corp Index Attribution (%)					
Carry		0.41	1.18	2.79	3.74
Duration		0.15	0.29	3.04	-3.29
Spread		0.25	-1.00	2.00	-0.47
Performance		0.81	0.47	7.83	-0.01

- April was a largely positive month for fixed income and credit markets. Both equity and credit markets climbed the wall of worry, consisting of issues such as the problems at First Republic, the upcoming US Debt Ceiling, persistent inflation in places, uncertainty over impact of rising rates and rising job cuts.
- In US Treasuries, 1 and 2 month T-bills rallied as investors parked money at the shorter dated bills to avoid possible deferred payment issues related to the debt ceiling. Further out, there were notable moves in 5 and 10 year yields which rallied 20bps and 14bps respectively. 2-year treasuries remained well below the market implied peak Fed Funds rate as market participants believe in rate cuts happening in late 2023/early 2024.
- Japanese Insurance firms that are traditionally large buyers of hard currency corporate credit have said that they plan to increase their holdings of JGBs and Yen denominated Fixed Income. This may have implications for Corporate IG, USD in particular, as this large buyer base moves to buy more domestic paper. The main reason for this is the prohibitive cost of hedging their non Yen exposure in corporate bonds in other currencies.
- Other notable macro moves in the month include the US Dollar DXY index hitting a 12-month low and the BBG Commodities index declining by 1.1% in April alone.
- Within Credit, there was very little movement in the main CDS indices and as a result they stayed at very low levels vs historical averages, e.g. 5 year European Xover at 435 and CDX HY at 466.
- As at the end of April, 53% of the S&P had reported earnings. Revenue/earnings beat rates and amounts are better than most historical averages and analysts are even bumping future quarter estimates higher which could explain why the S&P 500 is near 6-month highs.
- Despite some of these positive signs, the investor community at large remains cautious, as demonstrated by the large flows into Cash and Bonds YTD

\$bn	2020	2021	2022	YTD '23	Annualized
Cash	917	315	11	634	1,977
Bonds	376	501	(258)	120	374
Treasuries	16	44	166	69	216
Corp IG	272	265	(168)	78	243
Equities	182	949	175	16	49

Source: BofA as at 28/04/23

Financials

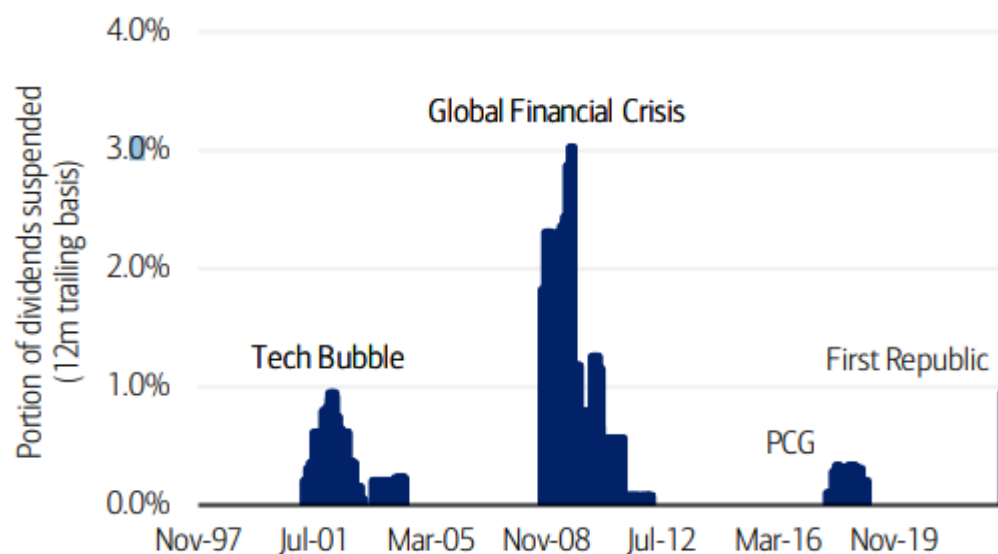
- Banks and Insurance earnings season continues with no major negative surprises in April besides US Regional Bank First Republic.
- As a show of confidence, several large UK/European Banks initiated stock buybacks (e.g. BBVA, Deutsche Bank, HSBC, Nordea, SEB) to name a few.
- Bond redemption activity was high within the space as both banks and insurers either called or tendered for existing debt. In the AT1 space, both Unicredit and Lloyds issued call notices for AT1s at the first call date, resulting in ~\$1bn+ of money coming back to Asset Managers within the next month or so. This helped calm AT1 markets further post the events at Credit Suisse. Interestingly, Unicredit was allowed by the ECB to redeem its AT1 without pre-financing it with another one.
- In a further sign of returning confidence, Banks outside of the National Champions issued debt which has traded up in the secondary market:

Bank	Debt type	Size	Currency	Pricing
Permanent TSB	Senior	650	EUR	PTSB 6.625% 2028
OSB	Tier 2	250	GBP	OSBLN 9.993% 2033
Investec	Syndicated loan	350	USD	N/A

Source: BBG

- UK and European Insurers offered to buy back more than \$3 bn equivalent of their legacy bonds. These bonds won't count as capital by the end of 2025 according to Bloomberg. NN, Generali, and Ethias have all issued new bonds (mainly Green Bonds) to recycle some of the money coming back from tenders.
- JPMorgan Chase & Co ("JPM") bought most of First Republic Bank's assets in a last-ditch rescue led by U.S. regulators, marking the third major U.S. institution to fail in two months.
- The deal will see JPM acquire \$173bn of loans, \$30bn of securities and \$92bn of deposits of the failed lender.
- Key terms of the deal were:
 - JPM will pay \$10.6bn to the Federal Deposit Insurance Corp (FDIC)
 - JPM will not assume First Republic's corporate debt or preferred stock
 - FDIC to provide loss share agreements with respect to most acquired loans
 - JPM will repay \$25bn of deposits large U.S. banks made in First Republic in March and eliminate the \$5bn deposit it made on consolidation
 - Deal has received all regulatory approvals and has closed
- As shown in the chart below from BofA the suspension of Preferred Stock dividends tends to peak during periods of major market stress

Fixed Rate Preferred Divi Suspension History



Source: BofA

Investment Grade

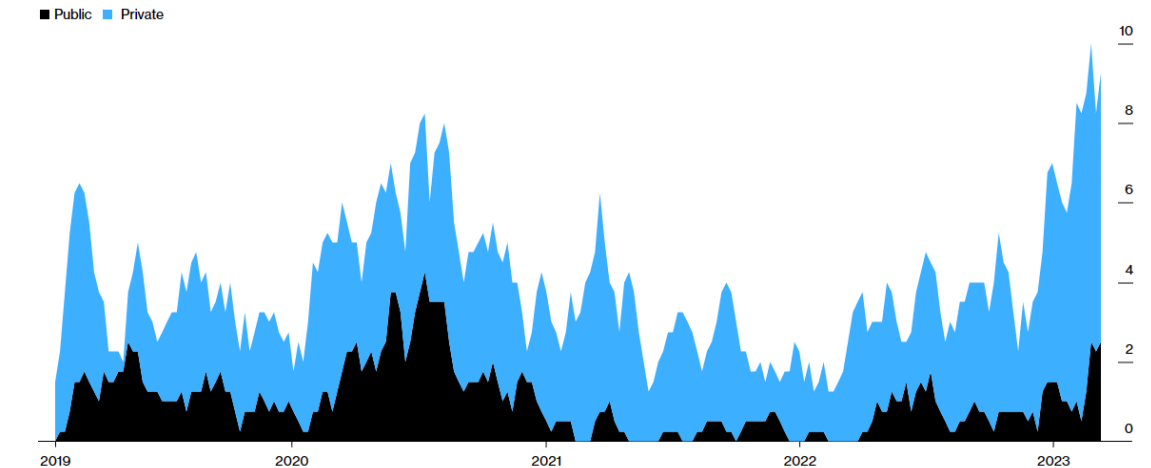
- New issue Investment Grade markets were healthy in April with the US printing nearly \$66bn of issuance and Europe printing €127bn including SSAs and Financials. Medium dated US IG corps were boosted by the 20bps tightening in 5 year US Treasury yields.
- US Telco issuer T-Mobile had a two-notch upgrade at Fitch to BBB+ which also resulted in its subsidiary Sprint being upgraded to IG bond benchmarks as it now has two ratings agencies which rate it IG. Nissan re-entered the IG Index after it received a new Credit rating from Fitch (BBB-).

High Yield/Leveraged Loans

- In April 2023, HY and Leveraged loan Markets continued the strong seasonal trend for the month of April, which has posted an average monthly return of +1.53% since the early 1990s according to Bloomberg Intelligence.
- April US HY issuance topped \$18bn and US Lev loan issuance was more than \$27bn. Issuance was executed despite a well-telegraphed upcoming recession and rising bankruptcies in the US

Bankruptcies Spike Among Small, Private Companies

Average number of companies filing for bankruptcy each week



Note: Four-week moving average of consolidated bankruptcy data of US companies with assets of \$10 million or more

Source: UBS via BBG

- There were some positive ratings updates in the month for HY issuers, total "Rising Stars" YTD are \$25bn vs \$14bn of "Fallen Angels."

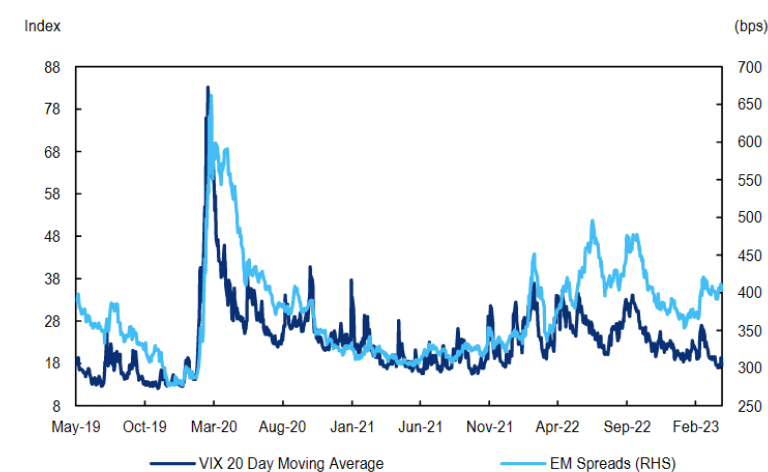
Issuer	Sector	Ratings Agency	Upgraded to
Chesapeake	Energy	Fitch	BB+
Dufry	Travel / Leisure	Moody's	Ba3
Europcar Mobility	Travel / Leisure	Moody's	B2
Jaguar Land Rover	Auto	S&P	BB-
Nissan	Auto	Fitch	BBB-

Source: BBG

Emerging Markets

- There are some interesting divergences in EM currently. CCC EM Sovereigns underperformed EM Sov Bond Index by 660bps in April. Spread volatility in EM Credit is considerable vs subdued Equity volatility

VIX Volatility vs EM spreads



Source: BBG, Citi

- The spread widening stems largely from weakness in African Sovereigns and Colombia. Egypt Sovereign CDS has doubled in value since the end of last year and some of its bonds are trading in the high 40s despite still being current on its debt obligations.

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.