

Eastspring Investments – US Corporate Bond Fund



RATINGS^{AA} Class A Morningstar Overall Rating^{*} ★★★★★

FUND DETAILS

Fund size (mil)	5,176.3
Fund base currency	USD
Fund dealing frequency	Daily
Net asset value (Class A)	USD 12.962
ISIN (Class A)	LU0326392247
Inception date (Class A)	07-Feb-11
Benchmark (BM)	Barclays Capital Credit Most Conservative 2% Issuer Cap Bond Index

FUND MEASURES

Number of Securities	528
Average duration (years)	7.3
Yield-to-maturity (%)	2.6
*3 year tracking error	0.5
*3 year sharpe ratio	1.4
*3 year volatility	3.4

*Source: Morningstar

SECTOR WEIGHTS (%)

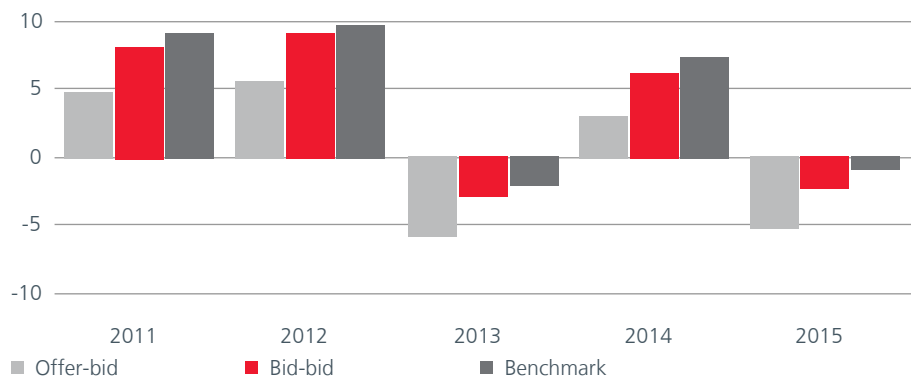
Industrials	38.3
Financials	28.3
Quasi & foreign government	12.6
Asset backed	9.4
Utilities	6.5
Government	4.1
Cash and others	0.8

INVESTMENT OBJECTIVE

This Sub-Fund invests in a diversified portfolio consisting primarily of fixed income/debt securities denominated in US dollars, issued in the US market by corporations (including "Yankee" and "Global" bonds) rated BBB- and above by Standard & Poor's (or comparable rating by Moody's Investor Service or Fitch). The Sub-Fund will primarily focus on investment grade corporate debt including positions in various fixed income/debt sectors such as US corporate (including redeemable preference shares), CMBS, MBS and ABS. Yankee bonds mean debt of foreign issuers issued in the US domestic market. Global bonds mean debt issued simultaneously in the eurobond and US domestic bond markets. Moreover, the aim of this Sub-Fund is to outperform the benchmark index, the Barclays Capital Credit Most Conservative 2% Issuer Cap Bond Index.

PERFORMANCE

Calendar year returns (%) (Class A)



Returns (%)

Class A	1 m	3 m	YTD	1 y	3 y (p.a.)	5 y (p.a.)	10 y (p.a.)	Since inception (p.a.)
Offer-bid	-2.6	0.4	5.7	4.8	3.9	3.4	–	4.2
Bid-bid	0.4	3.5	8.9	8.0	4.9	4.1	–	4.8
Benchmark	0.5	3.8	9.1	9.0	5.7	4.9	–	5.7

(p.a.): per annum. Source: Eastspring Investments (Singapore) Limited. Returns are based in USD and computed on bid-bid basis with net income reinvested, if any. Offer-bid is inclusive of sales charge which is subject to changes. Since inception returns for periods less than a year are not annualised. Calendar year returns are based on the share class performance for the year, and if the share class was inceptioned during a particular year, the returns shown relate to the performance of the share class since its inception to the end of that calendar year.

TOP 10 HOLDINGS (%)

1.	US TREASURY N/B 1.5% 31/01/2022	1.5
2.	US TREASURY N/B 1.5% 31/05/2020	1.5
3.	BANK OF MONTREAL 1.9% 27/08/2021	1.0
4.	WESTPAC BANKING CORP 1.6% 19/08/2019	1.0
5.	DAIMLER FINANCE NA LLC 1.375% 01/08/2017	0.9
6.	TORONTO-DOMINION BANK 1.45% 13/08/2019	0.8
7.	COMMONWEALTH BANK AUST 2% 06/09/2021	0.8
8.	EUROPEAN INVESTMENT BANK 1.75% 17/06/2019	0.8
9.	FORDF 2015-1 A1 1.42% 15/01/2020	0.7
10.	COMMONWEALTH BK AUSTR NY 2.3% 06/09/2019	0.7

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RATINGS (%)

AAA	21.6
AA	16.3
A	24.7
BBB	36.3
BB	0.2
CCC	0.1
Cash and others	0.8

MATURITY (%)

0 - 1 year	3.2
1 - 3 years	17.9
3 - 5 years	18.5
5 - 10 years	26.3
10+ years	33.3
Cash and others	0.8

Credit ratings by S&P/Moody's/Fitch.

SHARE CLASS DETAILS

Share class	Currency	Net asset value	Bloomberg ticker	ISIN	Inception date	Subscription method	Initial sales charges% (max)	Annual management fee % (max)
A	USD	12.962	IOFCBAU LX	LU0326392247	07-Feb-11	Cash	3.000	1.250
A_{ADM} (hedged)	AUD	10.172	ESUCADM LX	LU0795475903	18-Jun-12	Cash	3.000	1.250
A_{DM}	USD	11.086	IOUADMU LX	LU0588546894	07-Feb-11	Cash	3.000	1.250
A_{SDM} (hedged)	SGD	10.160	ESUCASD LX	LU0795476034	18-Jun-12	Cash	3.000	1.250
G	USD	11.292	ESUSCGU LX	LU0865487127	14-Dec-12	Cash	3.000	0.700
G_{DM}	USD	10.158	ESUCGDM LX	LU0865487390	14-Dec-12	Cash	3.000	0.700
G_{EDM} (hedged)	EUR	9.999	ESUGEDM LX	LU0865487473	14-Dec-12	Cash	3.000	0.700
G_{FDM} (hedged)	CHF	9.770	ESUGFDM LX	LU0865487556	14-Dec-12	Cash	3.000	0.700

Share class	Currency	Annual admin fee% (max)	Minimum initial investment	Minimum subsequent investment	Distribution frequency	Ex-date	Dividend per share	Annual dividend yield %
A	USD	0.250	USD1,000	USD100	N.A.	N.A.	N.A.	N.A.
A_{ADM} (hedged)	AUD	0.250	AUD2,000	AUD200	Monthly	01-Sep-16	0.0345032	4.00
A_{DM}	USD	0.250	USD1,000	USD100	Monthly	01-Sep-16	0.0282354	3.00
A_{SDM} (hedged)	SGD	0.250	SGD1,000	SGD100	Monthly	01-Sep-16	0.0258700	3.00
G	USD	0.200	USD50,000	USD1,000	N.A.	N.A.	N.A.	N.A.
G_{DM}	USD	0.200	USD50,000	USD1,000	Monthly	01-Sep-16	0.0258433	3.00
G_{EDM} (hedged)	EUR	0.200	EUR60,000	EUR1,000	Monthly	01-Sep-16	0.0254860	3.00
G_{FDM} (hedged)	CHF	0.200	CHF75,000	CHF1,500	Monthly	01-Sep-16	0.0249118	3.00

Distributions are not guaranteed. Distributions may be paid out of capital. Important Notes: (i) Payment of distributions out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment; and (ii) Any distributions involving payment out of the Fund's capital may result in an immediate reduction of the net asset value per share. Funds with Monthly and Quarterly Distribution Frequency: Annual Dividend Yield = (Dividend amount / Reference NAV) x (No. of calendar days in a year / No. of calendar days in distribution period) x 100%. Funds with Yearly Distribution Frequency: Annual Dividend Yield = (Dividend amount / Total Net Assets) x (No. of calendar days in a year / No. of calendar days in distribution period) x 100%. "N.A." means that this share class does not distribute dividends.

Returns (%)

Share class	Currency	1 m	3 m	YTD	1 y	3 y (p.a.)	5 y (p.a.)	10 y (p.a.)	Since inception (p.a.)
A									
Offer-bid	USD	-2.6	0.4	5.7	4.8	3.9	3.4	–	4.2
Bid-bid	USD	0.4	3.5	8.9	8.0	4.9	4.1	–	4.8

Calendar year returns (%)

2015	2014	2013	2012	2011
-5.2	2.9	-5.6	5.5	4.6
-2.2	6.1	-2.7	9.0	8.1

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Returns (%)

Share class	Currency	1 m	3 m	YTD	1 y	3 y (p.a.)	5 y (p.a.)	10 y (p.a.)	Since inception (p.a.)	Calendar year returns (%)				
Benchmark	USD	0.5	3.8	9.1	9.0	5.7	4.9	–	5.7	-0.8	7.2	-2.1	9.7	9.0
A_{ADM} (hedged)														
Offer-bid	AUD	-2.5	0.8	6.4	6.3	6.1	–	–	4.8	-2.8	5.5	-3.6	2.6	–
Bid-bid	AUD	0.5	3.9	9.7	9.6	7.2	–	–	5.7	0.2	8.8	-0.6	6.0	–
Benchmark	AUD	0.6	4.1	10.0	10.6	7.9	–	–	6.7	1.5	9.8	0.4	6.5	–
A_{DM}														
Offer-bid	USD	-2.6	0.4	5.7	4.8	3.9	3.4	–	4.2	-5.2	2.9	-5.7	5.5	4.8
Bid-bid	USD	0.4	3.5	8.9	8.0	4.9	4.1	–	4.8	-2.2	6.1	-2.7	9.0	8.3
Benchmark	USD	0.5	3.8	9.1	9.0	5.7	4.9	–	5.7	-0.8	7.2	-2.1	9.7	9.0
A_{SDM} (hedged)														
Offer-bid	SGD	-2.6	0.5	5.9	5.4	4.2	–	–	2.7	-4.5	2.9	-5.9	0.9	–
Bid-bid	SGD	0.4	3.6	9.2	8.7	5.2	–	–	3.5	-1.5	6.1	-3.0	4.3	–
Benchmark	SGD	0.5	3.9	9.4	9.7	6.2	–	–	4.6	0.3	7.2	-2.1	4.9	–
G														
Offer-bid	USD	-2.6	0.6	6.1	5.4	4.5	–	–	2.5	-4.6	3.5	-5.1	-2.5	–
Bid-bid	USD	0.4	3.7	9.4	8.7	5.5	–	–	3.3	-1.7	6.7	-2.1	0.6	–
Benchmark	USD	0.5	3.8	9.1	9.0	5.7	–	–	3.6	-0.8	7.2	-2.1	0.3	–
G_{DM}														
Offer-bid	USD	-2.6	0.6	6.1	5.5	4.6	–	–	2.5	-4.5	3.6	-5.1	-2.5	–
Bid-bid	USD	0.5	3.7	9.4	8.8	5.6	–	–	3.4	-1.6	6.8	-2.2	0.6	–
Benchmark	USD	0.5	3.8	9.1	9.0	5.7	–	–	3.6	-0.8	7.2	-2.1	0.3	–
G_{EDM} (hedged)														
Offer-bid	EUR	-2.7	0.3	5.3	4.4	4.1	–	–	2.1	-4.9	3.6	-5.4	-2.5	–
Bid-bid	EUR	0.3	3.4	8.6	7.6	5.2	–	–	3.0	-1.9	6.8	-2.5	0.5	–
Benchmark	EUR	0.4	3.5	8.2	7.8	5.3	–	–	3.2	-1.0	7.1	-2.1	0.3	–
G_{FDM} (hedged)														
Offer-bid	CHF	-2.7	0.1	4.8	3.7	3.4	–	–	1.5	-5.8	3.2	-5.8	-2.5	–
Bid-bid	CHF	0.3	3.2	8.1	6.9	4.5	–	–	2.3	-2.9	6.4	-2.9	0.5	–
Benchmark	CHF	0.3	3.2	7.6	6.9	4.5	–	–	2.6	-2.4	6.8	-2.4	0.3	–

(p.a.): per annum. Source: Eastspring Investments (Singapore) Limited. Returns are based in share class currency and computed on bid-bid basis with net income reinvested, if any. Offer-bid is inclusive of sales charge which is subject to changes. Since inception returns for periods less than a year are not annualised. The benchmark for the hedged share classes, if any, is also calculated on a hedged basis. Benchmark returns for all periods have been computed up to one business day earlier than the performance reporting date. This is to recognize that the Net Asset Value of the fund, due to time zone difference, is determined using last available prices of the securities in the fund which can be the securities prices traded one day ago as of the performance reporting date. Calendar year returns are based on the share class performance for the year, and if the share class was inceptioned during a particular year, the returns shown relate to the performance of the share class since its inception to the end of that calendar year.

Commentary sources

1. PPM America, Inc.
2. Barclays. Based on the MTD and YTD performance of the Barclays US Credit Index as of 31 August. 2016.
3. Morningstar Direct. Based on the four week trailing flows into Morningstar's US OE Intermediate Term Bond category (including ETFs) ending 31 August 2016.
4. Barclays US Investment Grade Corporate Update as of August 2016.
5. Bloomberg. Average contributor forecast for US GDP growth in 2016 and 2017 were 1.6% and 2.1%, respectively. 31 August 2016.

COMMENTARY

Market Review

Month-to-date, USD IG corporate bonds returned +0.20%. Five-year Treasury yields rose 16 bps to 1.19%, while 10-year Treasury yields rose 12 bps to 1.58%. Credit spreads tightened 9 bps and ended the month at 129 bps above duration-matched Treasuries.

The top performing sectors, as measured by excess return relative to Treasuries, were Refining (+3.69%), Midstream (+2.78%), Energy - Independent (+2.55%), and the worst performing sectors were Restaurants (-0.11%), Tobacco (+0.13%), and Railroads (+0.23%). Investors added \$5 bn to USD IG bond mutual funds during the month. USD IG bond issuance volume during the month was \$110 bn.

Year-to-date, USD IG corporate bonds have returned +9.16%.

The top performing sectors, as measured by excess return relative to Treasuries, have been Metals and Mining (+19.62%), Midstream (+14.78%), and Energy - Independent (+8.36%), and the worst performing sectors have been Life Insurance (-0.06%), Oil Field Services (-0.04%), and P&C (+1.40%). Issuance volume increased to approximately \$1,026 bn.

Fund Review

Month-to-date, the Fund's security selection within Technology was the largest contributor to relative spread related return. The Fund's out-of-index allocation to Treasuries was the largest detractor from relative spread return during the month.

On a year-to-date basis, the Fund's security selection within Metals and Mining has been the largest contributor to relative spread related return. The Fund's out-of-index allocation to Treasuries has been the largest detractor from relative spread related return.

Outlook

The pace of US growth is attractive relative to that of global expansion

- We expect the US economy to continue growing at a pace of about 2%, a rate that is relatively in line with economists' average expectations
- Ongoing improvements in the labor and housing markets, an overall healthy consumer base, and still-supportive monetary policies should underpin resilient growth
- Security selection remain paramount due to the decline in overall corporate credit health; additionally, we think that macro concerns could also create technical risks
- Corporate credit metrics continue to modestly deteriorate as companies fund share buybacks by issuing more debt
- On a relative basis, demand for US assets is strong due to global investors seeking yield; however, we are aware that technical factors can quickly reverse

We think that, amid ongoing global uncertainty, it will be difficult for the US Fed to raise interest rates

- A benign interest rate environment coupled with modest domestic expansion should, at the least, not pose a headwind to corporate fundamentals
- We will continue to focus on identifying attractive risk-adjusted opportunities at the credit-level, rather than attempting to predict the trajectory of interest rates

IMPORTANT INFORMATION

Investment manager -
Eastspring Investments (Singapore) Limited

Investment sub-manager -
PPM America, Inc.

****** Rating should not be taken as a recommendation.

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Contact information:

Eastspring Investments (Singapore) Limited
UEN: 199407631H
10 Marina Boulevard
#32-01 Marina Bay Financial Centre Tower 2
Singapore 018983
T: (65) 6349 9711
F: (65) 6509 5382

eastspring.com.sg

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All transactions into the Fund should be based on the Singapore Prospectus and Product Highlights Sheet ("PHS"). Such documents, together with the articles of incorporation of the SICAV and the most recent financial reports, may be obtained free of charge from Eastspring Investments (Luxembourg) S.A., or at relevant Eastspring Investments business units/website and their distribution partners.

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The Fund may use derivative instruments for efficient portfolio management and hedging purposes.

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