

# Eastspring Investments – Asian Bond Fund



**RATINGS**<sup>AA</sup> Class A **Morningstar Overall Rating** ★★★★★

## FUND DETAILS

Fund size (mil)	3,186.5
Fund base currency	USD
Fund dealing frequency	Daily
Net asset value (Class A)	USD 18.893
ISIN (Class A)	LU0154355936
Inception date (Class A)	01-Mar-05
Benchmark (BM)	JP Morgan Asia Credit Index

## FUND MEASURES

Number of Securities	617
Average duration (years)	5.0
Yield-to-maturity (%)	3.2
*3 year tracking error	0.4
*3 year sharpe ratio	2.0
*3 year volatility	3.2

\*Source: Morningstar

## SECTOR WEIGHTS (%)

Banks	19.2
Oil & Gas	12.3
Government	10.8
Real estate management & development	10.8
Diversified finance	10.3
Industrial conglomerate	3.5
Electric utilities	3.0
Government agency	2.7
Internet services	2.4
Cash and others	25.0

## COUNTRY WEIGHTS (%)

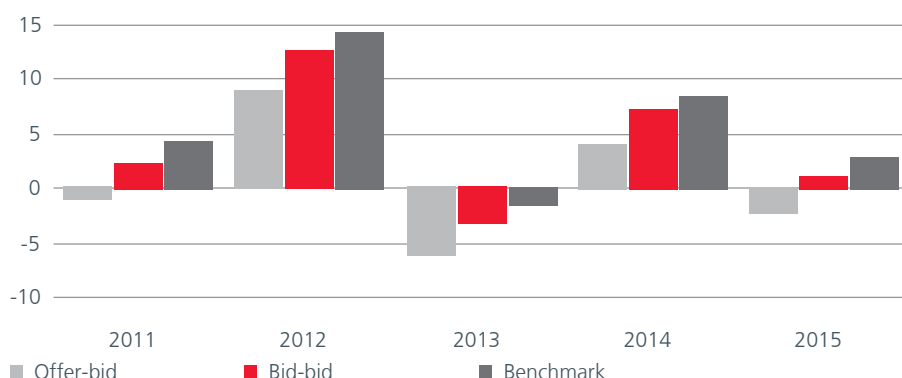
China	41.9
Indonesia	9.5
Hong Kong	8.9
India	8.4
South Korea	6.6
Philippines	6.3
Singapore	2.5
Malaysia	2.4
Japan	1.8
Cash and others	11.7

## INVESTMENT OBJECTIVE

This Sub-Fund invests in a diversified portfolio consisting primarily of fixed income / debt securities issued by Asian entities or their subsidiaries. This Sub-Fund's portfolio primarily consists of securities denominated in US dollars as well as the various Asian currencies and aims to maximize total returns through investing in fixed income / debt securities that are rated as well as unrated.

## 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	-2.4	0.6	4.8	5.5	5.4	4.0	5.1	5.1
Bid-bid	0.6	3.7	8.0	8.8	6.5	4.7	5.4	5.4
Benchmark	0.7	4.0	8.9	10.2	7.9	6.3	7.2	6.9

(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.	CHINA CINDA 2015 03.125% 04/23/2020	0.8
2.	BANK OF CHINA 5.000000% 11/13/2024	0.6
3.	CHINA CONST BANK 03.875% 05/13/2025	0.6
4.	CNOOC FINANCE 2015 US 03.500% 05/05/2025	0.6
5.	REPUBLIC OF INDONESIA 7.750000% 01/17/2038	0.6
6.	BHARTI AIRTEL 04.375% 06/10/2025	0.5
7.	EXP-IMP BK KOREA 02.875% 01/21/2025	0.5
8.	RELIANCE INDUSTR 04.125% 01/28/2025	0.5
9.	INDONESIA (REP) 05.125% 01/15/2045	0.5
10.	SINOPEC GRP OVER 02.500% 04/28/2020	0.5

**RATINGS (%)**

AAA	0.4
AA	6.9
A	32.6
BBB	27.0
BB	12.8
B	7.4
CCC	0.2
Cash and others	12.7

**MATURITY (%)**

0 - 1 year	4.4
1 - 3 years	17.0
3 - 5 years	20.6
5 - 10 years	34.8
10+ years	17.2
Cash and others	6.0

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)
<b>A</b>	USD	18.893	PRUASBA LX	LU0154355936	01-Mar-05	Cash	3.000	1.250
<b>A<sub>ADM</sub></b> (hedged)	AUD	9.936	ESABDMH LX	LU0795475572	18-Jun-12	Cash	3.000	1.250
<b>A<sub>DM</sub></b>	USD	11.347	IOFASBA LX	LU0428352776	02-Jun-09	Cash	3.000	1.250
<b>A<sub>DQ</sub></b>	USD	12.623	PRUASAD LX	LU0304598229	11-Jun-07	Cash	3.000	1.250
<b>A<sub>NDM</sub></b> (hedged)	NZD	9.834	ESABANH LX	LU0811022366	01-Aug-12	Cash	3.000	1.250
<b>A<sub>S</sub></b>	SGD	14.100	IOFASBF LX	LU0228368113	28-Aug-09	Cash, SRS	3.000	1.250
<b>A<sub>S</sub></b> (hedged)	SGD	10.850	ESABASS LX	LU1244146103	15-Jun-15	Cash, SRS	3.000	1.250
<b>A<sub>SDM</sub></b> (hedged)	SGD	10.326	ESABASH LX	LU1259265251	21-Jul-15	Cash	3.000	1.250

Share class	Currency	Annual admin fee% (max)	Minimum initial investment	Minimum subsequent investment	Distribution frequency	Ex-date	Dividend per share	Annual dividend yield %
<b>A</b>	USD	0.250	USD1,000	USD100	N.A.	N.A.	N.A.	N.A.
<b>A<sub>ADM</sub></b> (hedged)	AUD	0.250	AUD2,000	AUD200	Monthly	01-Sep-16	0.0439425	5.25
<b>A<sub>DM</sub></b>	USD	0.250	USD1,000	USD100	Monthly	01-Sep-16	0.0406733	4.25
<b>A<sub>DQ</sub></b>	USD	0.250	USD1,000	USD100	Quarterly	01-Jul-16	0.1441306	4.75
<b>A<sub>NDM</sub></b> (hedged)	NZD	0.250	NZD2,000	NZD200	Monthly	01-Sep-16	0.0476210	5.75
<b>A<sub>S</sub></b>	SGD	0.250	SGD1,000	SGD100	N.A.	N.A.	N.A.	N.A.
<b>A<sub>S</sub></b> (hedged)	SGD	0.250	SGD1,000	SGD100	N.A.	N.A.	N.A.	N.A.
<b>A<sub>SDM</sub></b> (hedged)	SGD	0.250	SGD1,000	SGD100	Monthly	01-Sep-16	0.0369979	4.25

**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.)
<b>A</b>									
Offer-bid	USD	-2.4	0.6	4.8	5.5	5.4	4.0	5.1	5.1

**Calendar year returns (%)**

2015	2014	2013	2012	2011
-2.1	3.9	-6.0	8.8	-1.0

## 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 (%)				
Bid-bid	USD	0.6	3.7	8.0	8.8	6.5	4.7	5.4	5.4	1.0	7.1	-3.1	12.5	2.3
Benchmark	USD	0.7	4.0	8.9	10.2	7.9	6.3	7.2	6.9	2.8	8.3	-1.4	14.3	4.1
<b>A<sub>ADM</sub> (hedged)</b>														
Offer-bid	AUD	-2.3	0.9	5.7	7.1	7.6	–	–	6.0	0.1	6.4	-4.0	4.7	–
Bid-bid	AUD	0.7	4.0	8.9	10.5	8.7	–	–	6.8	3.2	9.7	-1.1	8.3	–
Benchmark	AUD	0.8	4.3	9.8	11.9	10.1	–	–	8.6	5.1	11.0	0.8	9.6	–
<b>A<sub>DM</sub></b>														
Offer-bid	USD	-2.4	0.6	4.8	5.5	5.4	4.0	–	6.1	-2.1	3.9	-6.0	8.8	-1.0
Bid-bid	USD	0.6	3.7	8.0	8.8	6.5	4.7	–	6.6	0.9	7.1	-3.1	12.5	2.3
Benchmark	USD	0.7	4.0	8.9	10.2	7.9	6.3	–	8.1	2.8	8.3	-1.4	14.3	4.1
<b>A<sub>DQ</sub></b>														
Offer-bid	USD	-2.4	0.6	4.8	5.5	5.4	4.0	–	4.7	-2.1	3.9	-6.0	8.8	-1.0
Bid-bid	USD	0.6	3.7	8.0	8.8	6.5	4.7	–	5.1	0.9	7.1	-3.1	12.5	2.3
Benchmark	USD	0.7	4.0	8.9	10.2	7.9	6.3	–	7.2	2.8	8.3	-1.4	14.3	4.1
<b>A<sub>NDM</sub> (hedged)</b>														
Offer-bid	NZD	-2.3	0.9	5.8	7.6	8.2	–	–	5.8	1.2	7.1	-4.3	1.5	–
Bid-bid	NZD	0.8	4.0	9.1	10.9	9.3	–	–	6.6	4.4	10.5	-1.3	4.7	–
Benchmark	NZD	0.9	4.4	10.2	12.5	10.9	–	–	8.3	6.2	11.8	0.6	5.4	–
<b>A<sub>S</sub></b>														
Offer-bid	SGD	-1.0	-0.4	0.9	1.9	7.8	6.6	–	4.5	4.8	8.8	-2.8	2.5	0.2
Bid-bid	SGD	2.0	2.6	4.0	5.0	8.9	7.3	–	5.0	8.0	12.2	0.2	6.0	3.6
Benchmark	SGD	2.2	2.9	4.6	6.5	10.3	9.0	–	6.6	10.1	13.7	1.9	7.6	5.4
<b>A<sub>S</sub> (hedged)</b>														
Offer-bid	SGD	-2.3	0.6	5.0	6.2	–	–	–	4.3	-2.8	–	–	–	–
Bid-bid	SGD	0.7	3.7	8.3	9.4	–	–	–	7.0	0.2	–	–	–	–
Benchmark	SGD	0.8	4.1	9.2	11.0	–	–	–	9.0	1.7	–	–	–	–
<b>A<sub>SDM</sub> (hedged)</b>														
Offer-bid	SGD	-2.3	0.7	5.1	6.2	–	–	–	4.5	-3.0	–	–	–	–
Bid-bid	SGD	0.7	3.8	8.3	9.5	–	–	–	7.4	0.0	–	–	–	–
Benchmark	SGD	0.8	4.1	9.2	11.0	–	–	–	9.3	1.1	–	–	–	–

(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. 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. Eastspring Investments (Singapore) Ltd

## COMMENTARY

### Market Review

The Asian USD bond market (represented by the JP Morgan Asia Credit Index) posted a positive return of 0.72% in August. This positive return was brought about by an overall tightening of spreads in the Asian USD bond universe. Higher US Treasury (UST) yields, however, negated some gains over the month.

In August, markets adjusted to the possibility of an earlier federal fund rate hike after Federal Reserve (Fed) Chair Janet Yellen and other Fed officials gave a series of hawkish comments over the month. This triggered a sell-off in US Treasuries, especially in the shorter-end. The US Treasury yield curve flattened over the month, with two-year yields closing the month higher by 15 basis points and 10-year yields higher by 13 basis points.

Asian USD bonds continued their rally in August as investors continued on their chase for yield. A lack of negative data surprises and a recovery in oil prices kept overall risk sentiment benign over the month.

While the overall performance of Asian USD bonds was largely driven by technical factors, headline news drove divergence in performance across issuers.

High yield sovereign and quasi-sovereign bonds turned in negative returns in August after both S&P and Moody's downgraded the sovereign rating of Mongolia on concerns over the country's deteriorating fiscal metrics. On the other hand, Indonesia continued to drive performance among investment grade sovereign and quasi-sovereign bonds as reports continue to show the country's steady progress on the reform front.

In the corporate space, idiosyncratic factors dragged on the performance of some high yield names. Consequently, the high yield corporate sector underperformed the investment grade corporate sector in August.

Year-to-date, the Asian USD bond market delivered a positive return of 8.86% due to tighter spreads and declines on the longer end of the UST yield curve.

Investors' hunt for yield in the current low-yielding environment have helped the high yield bond sectors to outperform in the year-to-date period.

By country, Indonesia has been an outstanding performer, driving strong performance in the investment grade sovereign and quasi-sovereign bond space. Strong reform momentum as well as continued monetary easing by Bank Indonesia have been supportive factors for the rally in Indonesian sovereign bonds.

On the other hand, investment grade corporates did not fare as well as the other sectors due to the underperformance of financial credits.

### Fund Review

Month-to-date, the Fund's moderate duration underweight contributed positively to performance over the month.

Credit selection in Indonesia also contributed positively to performance.

However, the Fund's slight overweight in Mongolia detracted from performance somewhat.

Year-to-date, positive credit selection in India, Indonesia and Macau were key contributors to the Fund's outperformance.

However, the Fund's underweight in the sovereign bond sector and overweight in the financial sector detracted from performance.

### Outlook

A decent US payroll figure for August released after month-end and generally hawkish comments by Fed officials has led the market to price in an increased likelihood of imminent Fed rate hike. This has sent US Treasury yields higher and dampened the appetite for risk assets.

Asian credit spreads have nonetheless held up relatively well, but we are mindful that this is largely technically driven by the flush of market liquidity and investors' hunt for yield, while valuation is stretched—especially in the high yield space—after months of rally and is not consistent with the overall deteriorating credit fundamentals. Should interest rates rise, the technical support may dwindle, especially if issuers flock to tap the market for fear of higher rates later. In addition, event risks, such as the closely contested US presidential election, could cause bouts of volatility as they unfold.

We see those expensive but weak high yield credits, those that are struggling to service their debt even at the current historically low interest rate environment, would be most vulnerable if interest rates do go up. We therefore maintain our strategy to "move up" the credit curve.

Having said that, we believe monetary policies of major economies would remain highly accommodative in view of the currently sluggish global economic backdrop. The chances for interest rates to surge substantially in the near term are thus limited and global liquidity is likely to remain abundant. We therefore expect corrections in the

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**COMMENTARY**

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Asian credit space, if any, to be moderate and we would look to buy longer-dated investment grade and higher quality high yield credits on dips.

### IMPORTANT INFORMATION

Investment manager -  
**Eastspring Investments (Singapore) Limited**

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

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

**Distributions are not guaranteed and may fluctuate. Past distributions are not necessarily indicative of future trends, which may be lower.** Distribution payouts and its frequency are determined by the Board of Directors, and can be made out of (a) income; or (b) net capital gains; or (c) capital of the Fund or a combination of any of (a) and/or (b) and/or (c). The payment of distributions should not be confused with the Fund's performance, rate of return or yield. Any payment of distributions by the Fund may result in an immediate decrease in the net asset value per share.

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