

# Eastspring Investments – Asian High Yield Bond Fund



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

## FUND DETAILS

Fund size (mil)	349.6
Fund base currency	USD
Fund dealing frequency	Daily
Net asset value (Class A)	USD 14.361
ISIN (Class A)	LU0801099465
Inception date (Class A)	09-Jul-12
Benchmark (BM)	JP Morgan JACI Non-Investment Grade Index

## FUND MEASURES

Number of Securities	285
*3 year tracking error(%) (Class A)	1.1
*3 year sharpe ratio (Class A)	0.6
*3 year volatility(%) (Class A)	4.2

\*Source: Morningstar

## SECTOR WEIGHTS (%)

Home construction	35.7
Other industry	8.1
Metal and mining	6.9
Other REIT	6.4
Treasury	6.1
Sovereign	6.0
Foreign agencies	4.5
Other financial institutions	3.6
Others	20.7
Cash and cash equivalents	2.0

Due to rounding, the allocation table may not add up to 100% or may be negative.

## COUNTRY WEIGHTS (%)

China	55.5
Indonesia	9.3
India	8.9
Sri Lanka	6.4
Hong Kong	2.9
Philippines	2.7
Pakistan	2.2
United States	2.0
Others	8.1
Cash and cash equivalents	2.0

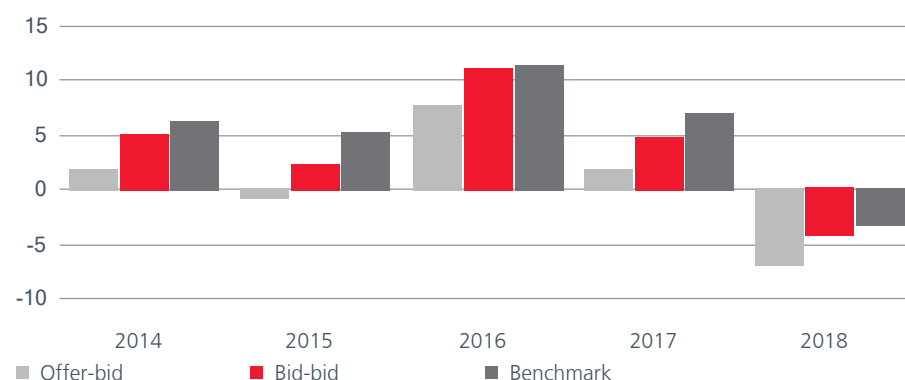
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## INVESTMENT OBJECTIVE

This Sub-Fund invests in a diversified portfolio consisting primarily of high yield 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 maximise total returns through investing primarily in fixed income / debt securities rated below BBB-. This Sub-Fund may invest up to 20% of its net assets in ABS, MBS, Contingent Convertible Bonds ("CoCos"), Distressed Securities and Defaulted Securities, with a limit of 10% for Distressed Securities and Defaulted Securities combined. In addition, this Sub-Fund may invest up to 10% of its net assets in synthetic fixed income instruments (including credit-linked notes). It may also hold up to 10% of its net assets in equity securities to the extent that such securities result from the conversion or exchange of a preferred stock or debt obligation. This Sub-Fund may make investments up to 10% of its net assets in Chinese onshore debt securities through the China interbank bond market direct access program (the "CIBM Direct Access Program") and/or China Hong Kong Bond Connect ("Bond Connect").

## 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	-0.8	8.6	10.2	3.1	3.9	–	4.6
Bid-bid	0.6	2.3	11.9	13.6	4.1	4.5	–	5.0
Benchmark	0.3	2.1	12.0	13.6	5.1	5.9	–	6.6

(p.a.): per annum. Source: Eastspring Investments (Singapore) Limited. 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. For full details, please refer to the performance disclosure.

## TOP 10 HOLDINGS (%)

1.	US TREASURY NOTE 1.625% 08/15/2029	2.0
2.	CHINA EVERGRANDE GROUP 8.75% 06/28/2025	1.9
3.	TEWOO GROUP NO 4 LTD 3.15% 12/01/2020	1.6
4.	SCENERY JOURNEY LIMITED 11% 11/06/2020	1.5
5.	THETA CAPITAL PTE LTD 6.75% 10/31/2026	1.4
6.	PAKISTAN, ISLAMIC REPUBLIC OF (GOVERNMENT) 6.875% 12/05/2027	1.2
7.	CENTRAL CHINA REAL ESTATE LTD 6.5% 03/05/2021	1.0
8.	MAOYE INTERNATIONAL HOLDINGS LTD 13.25% 09/27/2020	1.0
9.	RENEW POWER SYNTHETIC 6.67% 03/12/2024	0.9
10.	ABJA INVESTMENT CO PTE LTD 5.45% 01/24/2028	0.9

## Eastspring Investments – Asian High Yield Bond Fund

### RATINGS (%)

AA	2.0
A	2.8
BBB	4.2
BB	29.1
B	46.7
CCC	0.3
Non-Rated	12.9
Cash and cash equivalents	2.0

### MATURITY (%)

0 - 1 year	19.7
1 - 3 years	49.6
3 - 5 years	13.0
5 - 10 years	14.4
10+ years	1.4
Cash and cash equivalents	2.0

Due to rounding, the allocation table may not add up to 100% or may be negative.

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

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### SHARE CLASS DETAILS

Share class	Currency	Net asset value	Bloomberg ticker	ISIN	Inception date	Subscription method	Initial sales charges% (max)	Annual management fee % (Current)
<b>A</b>	USD	14.361	ESAHAUI LX	LU0801099465	09-Jul-12	Cash	3.000	1.000
<b>A<sub>ADM</sub> (hedged)</b>	AUD	9.151	ESAHYAA LX	LU0795475655	18-Jun-12	Cash	3.000	1.000
<b>A<sub>DM</sub></b>	USD	9.019	ESAHYAD LX	LU0756523055	30-Mar-12	Cash	3.000	1.000
<b>A<sub>NDM</sub> (hedged)</b>	NZD	8.973	ESAHAND LX	LU0817827503	13-Aug-12	Cash	3.000	1.000
<b>A<sub>SDM</sub></b>	SGD	9.800	ESAHYAS LX	LU0756522248	30-Mar-12	Cash	3.000	1.000
<b>A<sub>SDM</sub> (hedged)</b>	SGD	8.807	ESAHYAH LX	LU0756522594	30-Mar-12	Cash	3.000	1.000

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> (hedged)</b>	AUD	0.250	AUD2,000	AUD200	Monthly	02-Dec-19	0.0534777	7.50
<b>A<sub>DM</sub></b>	USD	0.250	USD1,000	USD100	Monthly	02-Dec-19	0.0517003	7.50
<b>A<sub>NDM</sub> (hedged)</b>	NZD	0.250	NZD2,000	NZD200	Monthly	02-Dec-19	0.0509047	7.50
<b>A<sub>SDM</sub></b>	SGD	0.250	SGD1,000	SGD100	Monthly	02-Dec-19	0.0561605	7.50
<b>A<sub>SDM</sub> (hedged)</b>	SGD	0.250	SGD1,000	SGD100	Monthly	02-Dec-19	0.0508669	7.50

**Distributions are not guaranteed. Distributions may be paid out of distributable income, capital or both. 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: Annualised Dividend yield = (Dividend per share / Reference NAV at start of distribution period) x (No. of calendar days in a year / No. of calendar days in distribution period) x 100%. Funds with Yearly Distribution Frequency: Annualised 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	-0.8	8.6	10.2	3.1	3.9	–	4.6
Bid-bid	USD	0.6	2.3	11.9	13.6	4.1	4.5	–	5.0
Benchmark	USD	0.3	2.1	12.0	13.6	5.1	5.9	–	6.6
<b>A<sub>ADM</sub> (hedged)</b>									
Offer-bid	AUD	-2.8	-1.4	7.2	8.8	2.7	4.3	–	5.9
Bid-bid	AUD	0.2	1.7	10.6	12.2	3.7	4.9	–	6.3

### Calendar year returns (%)

2018	2017	2016	2015	2014
-6.9	1.7	7.7	-0.8	1.8
-4.0	4.8	11.0	2.3	5.0
-3.2	6.9	11.2	5.2	6.1
-7.2	2.0	8.7	1.2	4.1
-4.3	5.1	12.1	4.4	7.3

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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	AUD	0.2	1.8	10.8	12.4	4.9	6.4	–	8.1	-3.5	7.5	12.4	7.3	8.6
<b>A<sub>DM</sub></b>														
Offer-bid	USD	-2.4	-0.8	8.6	10.2	3.1	3.9	–	4.8	-6.9	1.7	7.7	-0.8	1.8
Bid-bid	USD	0.6	2.3	11.9	13.6	4.1	4.5	–	5.3	-4.0	4.8	11.1	2.3	5.0
Benchmark	USD	0.3	2.1	12.0	13.6	5.1	5.9	–	6.9	-3.2	6.9	11.2	5.2	6.1
<b>A<sub>NDM</sub> (hedged)</b>														
Offer-bid	NZD	-2.8	-1.3	7.4	8.9	2.9	4.8	–	5.6	-7.0	2.4	9.2	2.4	4.9
Bid-bid	NZD	0.2	1.7	10.7	12.3	4.0	5.4	–	6.0	-4.2	5.6	12.5	5.6	8.2
Benchmark	NZD	0.2	1.9	10.9	12.5	5.2	6.9	–	7.8	-3.3	7.9	13.0	8.4	9.5
<b>A<sub>SDM</sub></b>														
Offer-bid	SGD	-2.0	-2.1	8.9	9.8	1.5	4.9	–	6.0	-5.0	-5.9	9.9	6.1	6.7
Bid-bid	SGD	1.1	0.9	12.3	13.2	2.6	5.5	–	6.4	-2.1	-3.0	13.3	9.4	10.0
Benchmark	SGD	0.8	0.7	12.3	13.2	3.5	6.9	–	8.1	-1.3	-1.1	13.3	12.6	11.3
<b>A<sub>SDM</sub> (hedged)</b>														
Offer-bid	SGD	-2.5	-0.9	7.7	9.2	2.3	3.5	–	4.5	-7.9	1.3	7.9	-0.4	1.6
Bid-bid	SGD	0.6	2.1	11.1	12.6	3.4	4.1	–	4.9	-5.0	4.4	11.2	2.7	4.8
Benchmark	SGD	0.3	2.0	11.3	12.8	4.5	5.8	–	6.7	-4.0	6.5	11.4	6.2	6.1

### Performance Disclosure:

(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 incepted 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. Wef July 2018, the monthly fund and benchmark returns calculated are aligned to the last NAV date of the fund for the month. Past performance information presented is not indicative of future performance.

### Commentary sources

1. Eastspring Investments (Singapore) Limited

### COMMENTARY

#### Fund Review

Performance of Asian USD high yield credit market was relatively muted in November with the JPMorgan Asia Credit – Non-Investment Grade index returning 0.29%. The gain was driven by accrual income as the positive impact of tighter credit spreads was offset by moderately higher US interest rates.

Despite hopes for a potential China-US Phase 1 trade deal vacillating between optimism and disappointment, risk sentiment was well supported amid upbeat data in the US and tentative signs of economic green shoots in Asia. In the US, stronger-than-expected non-farm payrolls, manufacturing output and services activity pointed to continued resilience in the US economy. In Asia, export data as well as Purchasing Managers' Indices also generally registered a slower rate of contraction.

Against this backdrop, Asian credit spreads tightened modestly. However, gains from tighter credit spreads were eroded somewhat by the moderate rise in US interest rates. Over the month, the 10-year US Treasury yield rose 8 bp to 1.8% as market participants dialled back their rate cut expectations.

Across sectors, high yield corporate credit spreads saw more significant tightening, which, together with higher accrual income, led to the market's outperformance. Stronger performance was seen in China high yield corporates credits, led by real estate credits, although idiosyncratic news resulted in some divergence in performance.

In contrast, high yield sovereign sector was a clear laggard, dragged down by poor performance of Sri Lanka, as its bond prices weakened after Moody's warned that the government's sweeping tax cuts were credit negative.

In November, the Fund's overweight in China real estate and positive credit selection there contributed positively, as did the selection of China consumer names. In addition, the overweight in Indonesia real estate and India renewable sectors were also key contributors as they outperformed during the month.

However, in Indonesia, the overweight in metal&mining sector detracted from performance as weak coal prices dampened sentiment in the sector. In addition, the non-benchmark exposure to US Treasuries was also negative to relative return given the moderate increases in US interest rates during the month.

Year-to-date the Fund's overweight in Indonesia and China real estate sectors contributed to the Fund's outperformance. Additionally, positive selection of China consumer and India renewables helped performance. However, the underweight in China TMT and Hong Kong financial credits, which generally posted positive returns, weighed on relative performance.

#### Outlook

With the recent agreement between US and China on a phase one trade deal, we expect investor sentiment to be supported going into the year end. While details of the trade deal are lacking, this agreement should at least prevent a further escalation of trade tension. The averting of the new tariffs that were to come into effect in December and a reduction in the September tariffs should also be supportive of global growth, albeit marginally. This, coupled with resilience in the US economy and signs of bottoming-out in the global manufacturing activity, is expected to help global growth stabilise in the coming year.

Despite this, however, we retain a cautious view on global growth; Business sentiment remains weak and the weakness is unlikely to go totally away as the bulk of trade tariffs remain in place and there are other non-trade issues to be tackled in subsequent negotiations (eg. Subsidies to SOEs). Furthermore, the slowing Chinese economy could continue to be a drag to global growth. The lacklustre macro backdrop, coupled with the Chinese authorities' drive to rein in excessive leverage, has led to higher onshore credit defaults, particularly among non-property privately owned enterprises (POE) as we have seen in the recent months. Selected state-linked enterprises are also feeling the heat.

In this environment, we continue to emphasize the importance of credit selection. The fragile growth conditions and divergent funding access can still result in idiosyncratic stresses going forward. That said, we see the broad credit fundamentals of Asian USD credit issuers to be largely intact and a global growth stabilisation should prevent an excessive deterioration of fundamentals from here. In addition, we expect the market to provide a good source of carry, especially with interest rates likely to remain range-bound. We would thus see periods of market weakness as opportunities to identify pockets of value within the Asian USD market.

As such, we will selectively look for opportunities in POE and LGFV space if we see access to onshore financing improve or excessive spread widening in some of the companies we are comfortable with fundamentally. We will also look for opportunities in other parts of Asia (apart from China) if it were to widen but at the moment, we feel that valuations are not very cheap except for select single B bonds.

In November, we reduced our US Treasury position and switched to new issuances and selected credits, which we viewed to have cheapened. This raised our exposure modestly in selected sectors, such as the China TMT sector. Additionally, we trimmed our position in the China utilities sector, where we viewed idiosyncratic risk to have risen.

### IMPORTANT INFORMATION


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

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

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Morningstar Category: Asia High Yield Bond



A member of Prudential plc (UK) 

**For more information, please contact:**

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](http://eastspring.com.sg)

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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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