

## DWS Invest China Bonds



Bond Funds - Emerging Markets/ High Yield Corporate Bonds

April 2019

As at 30/04/2019

## Fund Data

## Investment Policy

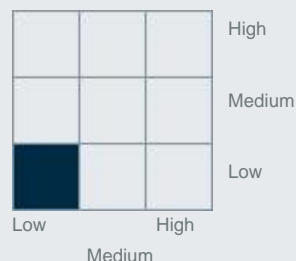
DWS Invest China Bonds offers investors the opportunity to participate in the performance of the Chinese Renminbi. In keeping with this orientation, the Fund's currency positions are nearly all in Renminbi. Bond investments are made in Chinese issuers in Renminbi (or hedged in RMB) and in global issuers in RMB. The focus is on bonds with good to very good credit ratings.

## Fund Management's Comment

You can find the Fund management's detailed commentary in DWS Flagship Fund Reporting and on the individual pages of the factsheets.

## Morningstar Style-Box™

Credit Quality



Interest Rate Sensitivity

## Morningstar Category™

RMB Bond

## Ratings

(As at: 29/03/2019)

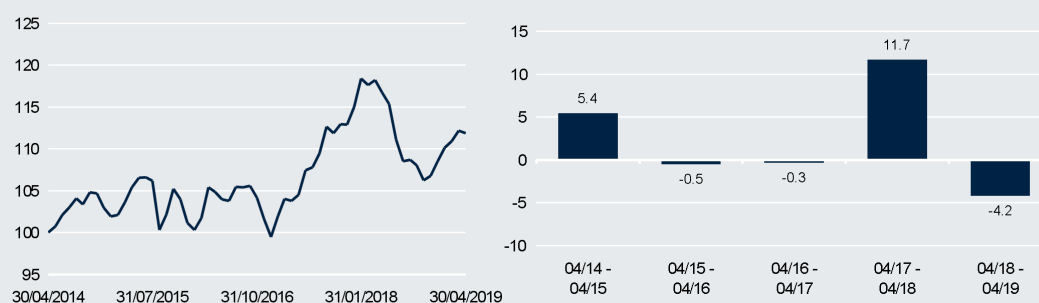
Morningstar Overall Rating™:

Lipper Leaders:

## Performance

Performance - Share Class USD LC(USD)

(in %)



■ Fund

Calculation of performance is based on the time-weighted return and excludes front-end fees. Individual costs such as fees, commissions and other charges have not been included in this presentation and would have an adverse impact on returns if they were included. Past performance is not a reliable indicator of future returns.

## Cumulative Performance (in %) - Share Class USD LC(USD)

	1 m	1 y	3 y	5 y	s. Launch	Ytd.	3 y avg	5 y avg	2015	2016	2017	2018
USD	-0.3	-4.2	6.7	11.9	24.3	3.1	2.2	2.3	-1.8	-1.7	15.6	-5.7
EUR	-0.2	3.5	8.4	37.9	58.6	5.3	2.7	6.6	9.3	1.6	2.2	-1.2

The information regarding this product is based on USD. For this reason, the performance in Euros of this product may rise or fall on the basis of currency fluctuations.

## Further Characteristics (3 years) / VAR (1 year) - Share Class USD LC(USD)

Volatility	5.57%	Maximum Drawdown	-10.29%	VAR (99%/10 days)	2.29%
Sharpe Ratio	0.12	Information Ratio	--	Correlation Coefficient	--
Alpha	--	Beta	--	Tracking Error	--

## Portfolio Analysis

## Portfolio Breakdown

(in % of fundvolume)

Corporate Bonds	63.9
Emerging markets corporates	23.4
Cash equivalents	12.7

Gross weighting, not adjusted for any positions in derivatives.

## Breakdown by Rating

(in % of bond holdings)

AAA	12.6
AA	3.8
A	28.5
BBB	36.4
BB	5.0
B	11.0
CCC	2.7

## Investment Ratio

(in % of fundvolume)

Bonds	87.3
Cash and other assets	12.7

The presentation of the structure of the bond credit ratings is based on both internal and external ratings.

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## Portfolio Analysis

## Breakdown by Country (Bonds) (in % of fundvolume)

China		45.4
Hong Kong		17.0
Indonesia		9.4
India		3.8
Macau		2.4
Thailand		1.6
Singapore		1.3
Korea		1.3
Australia		1.3
Japan		0.6

Gross weighting, not adjusted for any positions in derivatives.

## Largest Individual Holdings (in % of fundvolume)

US Treasury 19/15.02.49	10.3
China Orient Asset Management Int. 17/08.06.19	3.7
HPHT Finance 15 15/17.03.20 Reg S	3.5
Henderson Land 19/01.03.29 MTN	3.5
Medco Straits Services 17/17.08.22 Reg S	3.0
Vedanta Resources 11/07.06.21 Reg S	2.9
Huaneng Hong Kong Capital 17/und	2.3
Hong Kong Sukuk 2017 17/28.02.27	2.1
Eterna Capital 17/11.12.22 S.A	2.1
CNOOC Finance 2015 US 18/02.05.28	1.9
Total	35.3

## Breakdown by Currency (in % of fundvolume)

Offshore Renminbi		92.2
United States dollar		7.8

Incl. forward exchange transactions, negative and positive figures reflect expected currency developments.

## Key Figures regarding the Fund's Assets

Yield (in %)	4.1	Current Interest Rate (in %)	4.5	
Duration (in years)	5.7	Modified Duration	5.6	Maturity (in years) 10.0
Number of Bonds	90	Average Rating	BBB	

## Cumulative Performance (in %)

	1 m	1 y	3 y	5 y	s. Launch	Ytd.	3 y avg	5 y avg	2015	2016	2017	2018
LCH(EUR)	-0.5	-7.0	-0.5	3.3	13.8	2.1	-0.2	0.6	-2.3	-3.1	13.2	-8.3
RMB LC(CNY)	0.1	2.1	10.9	20.5	25.5	1.0	3.5	3.8	4.2	4.2	8.0	-0.3
USD LC(USD)	-0.3	-4.2	6.7	11.9	24.3	3.1	2.2	2.3	-1.8	-1.7	15.6	-5.7

## DWS Invest China Bonds



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## Fund Data

Portfolio Manager	Henry Wong	Assets	285.4 Mio. USD
Portfolio Manager since	01/01/2018	Fund Currency	USD
Portfolio Management Company	DWS Investment GmbH & DWS Investments Hong Kong	Launch Date	16/08/2011
Portfolio Management Location	Hong Kong	Fiscal Year End	31/12/2019
Management Company	DWS Investment S.A.	Investor profile	Risk-tolerant
Legal Structure	SICAV		
Custodian	State Street Bank, Lux.		

## Share Classes

Share Class	Cur.	ISIN Code	Earnings	Front-end Load <sup>1</sup> up to	Redemption Price	Interim Gains	Management Fee	Running costs / TER	plus performance- related fee	Minimum Invest- ment Amount
LCH	EUR	LU0632805262	Accumulation	3.00%	113.79		1.100%	1.30% (1)	--	--
RMB LC	CNY	LU0813328787	Accumulation	3.00%	125.45		1.100%	1.28% (1)	--	--
USD LC	USD	LU0616856422	Accumulation	3.00%	124.25		1.100%	1.28% (1)	--	--

(1) The Total Expense Ratio (TER) generally includes all expense items charged to the Fund apart from transaction costs and performance fees. If the Fund invests a substantial part of its assets in target funds, the costs of the respective funds and payments received by them will also be taken into account. The Fund incurred the total expenses listed here in its last financial year which ended on 31/12/2018. They are subject to change from year to year.

## Address

## DWS Investment GmbH

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## Note

<sup>1</sup> Based on the gross investment.

Because of its composition or the techniques used by its managers, the fund features a high level of volatility. In other words, unit prices may fluctuate significantly in either direction within short periods of time.  
Please note that not all share classes and subfunds respectively are registered in every country.

Units issued by DWS Invest SICAV may only be sold or offered for sale in jurisdictions in which such offer or sale is permitted.

# Fund Management's Comment: DWS Invest China Bonds

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Data in relation to the fund or the leading unit class.

April 2019

As at 30/04/2019

## Performance Review

DWS Invest China Bonds returned -0.21% (net-of-fee) and +0.12% for the CNH-share class and USD-share class respectively in Apr. Markit iBoxx ALBI China Offshore (CNH) TRI Index was up by +0.28% and Markit iBoxx USD Asia ex-Japan China was up by 0.31%. RMB was down by 0.21% vs USD this month. After a strong 1Q rally, April has been a month of consolidation, with economic data from the US and China showing signs of stabilization. China recorded an expansionary manufacturing PMI number of 50.1, with above expectation credit data and activity data. Strong US employment data with moderate activity data has given ground for the Fed to hold rates for a longer period. The weakness in the global economy stems mainly from Europe with still weak activity data. In addition, the export-dependent Korea's Q1 GDP number was contractionary, which might be a reflection of continued trade war concerns and China's green shoots not filtering into the rest of the world. With the potential bottoming out from the 1Q19 economic weakness in sight, 10 year US treasury yield was up by 10bps to 2.5% in end April. Investors in search for yield continued to drive spreads tighter across the board. China High Yield (HY) (+0.49%) outperformed China Investment Grade (IG) (+0.23%) slightly. JPM China (USD) Blended Spreads Index, credit spreads for China (USD) bonds, tightened by 2.9. Pressure from Emerging Markets (EM) assets as well as weakening in the equity market rally in China as well as in Asia have slowed positive momentum in the Asian USD credit market. IPO market continued to be robust with 68% of new issuances in April from IG (1Q19: 56%). Most of the IG new issuance performed well as the supply of IG issuance lags historical level (over 70% issuance in the past 3 years was IG) and demand remains very strong.

## Performance Attribution

Total exposure to CNH bonds and cash was around 11% of NAV while the Portfolio continues to focus on Chinese, Hong Kong and Macau names denominated in USD (64% of outstanding bonds). During the month, our fund's duration decreased slightly to 5.7 from 6.1. The weakening in RMB was a drag to our April performance and represented two thirds of our loss in April. For sector performance, almost all sectors delivered positive return. IG financials and IG Corporates were helped by strong demand while HY property was helped by strong physical sales in April.

## Current Positioning

We will continue to make selective risk adding in 2Q2019 on the back of positive market technical and government policies. For the IPO market, we will be active in participation.

## Outlook

The credit market has been in good rally since mid-December upon technical and sentiment factors, such as redeployment of high cash hoarding back to work in credit market, new inflows, and positive central banks' policies coming from the world. April has shown signs of recovery from economic weaknesses in 1Q19 but investors are expecting further signs of stabilization from China in May. Market also remains cautious ahead of the potential meeting that might take place between President Trump and President Xi and the need for further easing in China has lessened.

## Opportunities

In accordance with the investment policy.

## Risks

- The fund invests in the People's Republic of China. Investments in the People's Republic of China are associated with risks resulting from the special legal, political and economic environment. The future political direction of the Chinese government is uncertain, there is the risk of negative performance due to government interventions and restrictions.
- The fund invests in bonds, the value of which depends on whether the issuer is able to afford its payments. The deterioration of credit quality (ability and willingness to repay) may have an adverse affect on the value of the bond.
- Due to its composition/the techniques used by the Fund management, the investment fund has significantly elevated volatility, i.e. the share price may be subject to significant fluctuations up or down within short periods of time. The share value may fall below the purchase price at which the customer acquired the share at any time.

Investor profile: Risk-tolerant

The Fund is intended for the risk-tolerant investor who, in seeking investments that offer targeted opportunities to maximize returns, can tolerate the unavoidable, and occasionally substantial, fluctuations in the values of speculative investments. The high risks from volatility, as well as high credit risks, make it probable that the fund will lose value from time to time, and expectations of high returns and tolerance of risk are offset by the possibility of incurring significant losses of capital invested.

Please note that the information from Morningstar, FERI and Lipper Leaders relates to the previous month.

Morningstar Overall Rating™

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Lipper Leaders

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Lipper Leaders Rating System - Ratings from 1 (lowest) to 5 (highest)

First digit = Total Return; second digit = Consistent Return; third digit = Preservation; fourth digit = Expense

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## Alpha

A measure of the difference between the risk-adjusted return on an investment and a benchmark. The alpha measures the part of the performance that cannot be explained by market movements or market risk, but rather is derived from the selection of securities within the market. Alpha is a way of measuring the active contribution to performance made by the portfolio manager. It is also a good yardstick to use when comparing several funds. The figure is calculated on a 3-yearly basis.

## Average dividend yield

Measures the average dividend amount, based on the current share price. This figure is calculated based on the shares (including ADRs/GDRs - > Depositary receipts) and REITs contained in a fund.

## Average market capitalization

Measures the average market capitalization of the shares, REITs and ADRs/GDRs (depositary receipts) contained in a fund. The market capitalization represents the total market value of a company as determined by multiplying the number of shares issued by the current share price.

## Beta factor

A measure of sensitivity - given as the average percentage change in the price of a fund when the market (benchmark) rises or falls by 1%. A value over (under) 1 means that on average the fund exhibits more (less) volatility than the benchmark. The figure is calculated on a 3-yearly basis.

## Correlation coefficient

Describes the degree to which two values (fund versus benchmark) move in the same direction. The value of the correlation coefficient is between -1 and +1. A correlation of +1 means that the fund generally moves in the same direction as the benchmark, while -1 indicates that the fund generally moves in the opposite direction. A correlation of 0 means that there is no relation between the price movements of the fund and the benchmark. The figure is calculated on a 3-yearly basis.

## Current interest yield

The current interest yield differs from the nominal interest rate because securities are bought at a price that can be higher or lower than their nominal value. Since interest is always paid on the nominal value, the following calculation is used:  $(\text{interest rate} \times 100) / \text{price} = \text{effective yield}$ .

## Duration (in years/in months)

A measure of the sensitivity of an investment to changes in interest rates. Duration, which was developed by Frederick Macaulay, is the average period for which invested capital is committed. Because of the interest payable over time on the invested capital, duration is shorter than -> maturity. This version of duration is used in DWS Top Reporting and refers to invested assets (without "Cash and other holdings").

## Information ratio

The information ratio measures the difference between the annualized average return of the fund and that of the benchmark, divided by the Tracking error. The higher this value is, the more the investor compensated for the risk in the fund. The figure is calculated on a 3-yearly basis.

## Maturity (in years/in months)

The amount of time until the maturity of an obligation, such as a bond. Refers to invested fund assets (without "Cash and other holdings").

## Maximum drawdown

The maximum drawdown is the largest percentage drop in value in a given period of time. It measures the amount the fund falls from its highest point to its lowest point in the selected timeframe. The figure is calculated on a 3-yearly basis.

## Modified duration (in years/in months)

Serves as a measure of interest-rate sensitivity. Modified duration indicates the percentage change in price of a bond (in a portfolio) when the market interest rate changes by 1%. In order to calculate the percentage change in the bond price, the modified duration of the bond is multiplied by the percentage change in the interest rate. This figure helps investors assess the risks and opportunities of a bond at a glance.

## Sharpe ratio

A measure of risk developed by William F. Sharpe, defined as the excess return on an investment over that of a risk-free investment in relation to the risk of the investment. The higher the Sharpe ratio, the higher the return the investor receives for the risk the investment carries (expressed in volatility). The Sharpe ratio can be used to compare multiple funds. The figure is calculated on a 3-yearly basis.

## Tracking error

The tracking error is the standard deviation of the yield differential between a fund and its benchmark. This makes it a measure of how well the fund manager tracks the benchmark. The figure is calculated on a 3-yearly basis.

## VaR (Value at Risk)

A measure of risk that indicates the maximum fund losses with a given probability for a given period of time (holding period). VaR is calculated on the basis of the daily prices of the individual securities contained in the portfolio for a year.

## Yield

The yield is the annual return on a capital investment, measured as the actual interest earned (effective yield) on the capital invested. It is based on the fund's income (e.g., interest, dividends, realized capital gains) and change in the price of the assets held in the fund. The yield of a fund is

derived from the invested assets (without "Cash and other holdings") and is presented as a "gross" figure, i.e., before the deduction of total expenses/fee.

## Volatility

Volatility expresses the degree to which the yield on an investment (the price performance of a fund, for example) varies from a mean value in a specific period of time. This makes it a measure of fund risk. The greater the variation from the mean, the higher the volatility. Knowing the volatility allows investors to assess how uncertain the return potential of an investment is. The figure is calculated on a 3-yearly basis.