

# Eastspring Investments – Asian High Yield Bond Fund



A Prudential plc company 

## Market review

Global fixed income markets registered losses in October, with 10-year US Treasury yields hitting its highest level since July 2024. However, the JP Morgan Asia Credit Non-Investment Grade Index climbed 1.06% on the back of tighter credit spreads.

Fed minutes showed that most FOMC members were in favour to lower the target range for the federal funds rate. Members discussed the uncertainties facing the economy and stated that the upside risks to inflation had diminished while the downside risks to employment had increased. Yet the Fed agreed that they would carefully assess incoming economic data and consider the balance of risks before administering additional adjustments to the target range for the federal funds rate.

Over the month, the 10-year US Treasury yield climbed by 50 basis points to 4.28%, while the 2-year yield increased by 53 basis points to 4.17%. The spread between the 10-year and 2-year yields stayed positive but narrowed slightly.

Asian high yield bonds extended gains for another month, accompanied by higher spread returns. Index credit spreads began the month at 601bps and ended at 559bps by the end of October. China announced a broad package of measures to lift economic sentiment including interest rate cuts and more support for the property market. High yield sovereigns outperformed corporates and quasi-sovereign bonds. Across countries, Pakistan and Sri Lanka registered the best returns while South Korea and Malaysia lagged peers.

## Performance

Month-to-date: The underweights in financials and utilities detracted from relative performance. However, the overweights in the TMT and sovereign sectors contributed to the Fund's active return.

Year-to-date: The overweights in high yield sovereign bonds contributed to relative performance. SGD and CNH local currency positions also contributed positively to relative returns over the year. The outperformance was narrowed by the underweights in the financial and utility sectors.

## Strategy and outlook

The world economy has shown surprising resilience in the face of geopolitical disruptions and extreme weather events. Global growth has been steady, supported by the strength of the US economy but offset by weaker output in the Euro area.

Market consensus suggests that a Trump presidency, backed by a unified government will bolster US economic growth, and extend a period of economic outperformance. Potential trade policies, including tariffs may adversely impact heavily trade-dependent economies like Europe, emerging markets, and Asia, reinforcing a well-supported USD outlook over the medium term. As we approach the end of the year, some market participants may seek to lock in gains, potentially leading to minor near-term corrections. We will be selective in deploying capital and will continue to focus on our bottom-up credit investment process, endeavouring to identify idiosyncratic situations to capture spread compression.

## Top 10 overweights by issuer

Issuer (%)	Ending weights		
	Fund	Benchmark	Relative
CENTRAL PLAZA DEVELOPMENT LTD	3.4	0.7	2.8
NWD (MTN) LTD	2.7	0.9	1.8
HUARONG FINANCE 2019 CO LTD	2.0	0.6	1.4
SAN MIGUEL CORPORATION	1.6	0.4	1.2
GREENTOWN CHINA HOLDINGS LTD	1.2	-	1.2
ROWEN INTERNATIONAL CO LTD	1.1	-	1.1
INDIA CLEAN ENERGY HOLDINGS	1.3	0.3	1.1
JSW INFRASTRUCTURE LTD	1.3	0.3	1.0
ZHENJIANG CULTURAL TOURISM INDUSTRY GROUP CO LTD	1.0	-	1.0
AFRICELL HOLDING LTD	1.0	-	1.0
<b>Total</b>	<b>16.7</b>	<b>3.1</b>	<b>13.6</b>

## Top 10 underweights by issuer

Issuer (%)	Ending weights		
	Fund	Benchmark	Relative
INDUSTRIAL AND COMMERCIAL BANK OF CHINA LTD	-	4.3	-4.3
STANDARD CHARTERED PLC	1.8	4.2	-2.4
BANK OF COMMUNICATIONS CO LTD	-	2.1	-2.1
SAN MIGUEL GLOBAL POWER HOLDINGS CORP	-	1.9	-1.9
VEDANTA RESOURCES FINANCE II PLC	0.4	1.8	-1.4
BANGKOK BANK PUBLIC CO LTD (HONG KONG BRANCH)	-	1.3	-1.3
SINGAPORE AIRLINES LTD	-	1.1	-1.1
SHRIRAM FINANCE LTD	0.3	1.2	-0.9
LONGFOR GROUP HOLDINGS LTD	0.3	1.2	-0.9
CHINA CITIC BANK INTERNATIONAL LTD	-	0.9	-0.9
<b>Total</b>	<b>2.8</b>	<b>20.0</b>	<b>-17.2</b>

## Statistics

Characteristics	Fund	Benchmark
Number of issues	185	252
Running yield (%)	5.7	5.7
Yield to maturity (%)	9.2	8.1
Yield to worst (%)	8.9	7.8
Average modified duration	2.6	2.5
Average credit rating*	BB-	B+

**Additional notes**

1. Government issuers may include quasi-sovereign issues.
2. Performance numbers are computed based on gross of all fees.
3. \*Rating based on issue credit ratings assigned by external rating agencies (S&P, Moody's and Fitch). For the Eastspring Investments Unit Trusts - Fixed Income Plan Series 2, the highest rating is used in the event of split ratings.
4. #Best rating of external credit rating agencies.
5. Running yield refers to current yield which is calculated by dividing the annual coupon payment by the bond's market price
6. Carry Effect: Reflects the impact of time passing on the bond price (Rolldown + Carry). Curve Effect: Reflects the impact of yield curve movements on the bond price. Spread Effect: Reflects the impact of the total movement of the interbank swap spread curve (for corporate bonds) and the impact due to the variation of the specific credit spread of the bonds. Currency Effect: Reflects the impact on the performance due to foreign currency assets. Other effect: Reflects the impact on the performance due to the non-modelled assets, as well as impact of pricing (pricing effects due to differences in pricing sources between the portfolio and benchmark) and trading effects.
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Eastspring Investments (Luxembourg) SA, 26 Boulevard Royal, L-2449, Luxembourg

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**Paying Agent:** NPB-New Private Bank Ltd, Limmatquai 1/am Bellevue, 8024 Zurich

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Eastspring Investments (Luxembourg) S.A. - UK Branch, 1 Angel Court, London EC2R 7AG

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**Eastspring Investments (Singapore) Limited (UEN. 199407631H)**

7 Straits View  
#09-01 Marina One East Tower  
Singapore 018936  
Tel: +65 6349 9711

**Eastspring Investments (Luxembourg) S.A.**

26 Boulevard Royal  
L-2449 Luxembourg  
Grand Duchy of Luxembourg  
Tel: +352 22 99 99 5763

**Eastspring Investments (Hong Kong) Limited**

13/F, One International Finance Centre  
1 Harbour View Street  
Central, Hong Kong  
Tel: (852) 2868 5330

**UK Branch**

1 Angel Court  
London  
EC2R 7AG  
Email: [info.europe@eastspring.com](mailto:info.europe@eastspring.com)

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